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# ***Daily Report***

## **China**

FBIS-CHI-89-058  
Tuesday  
28 March 1989

# Daily Report

## China

FBIS-CHI-89-058

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### General

#### **Foreign Firms Bid on Contracts for Qingdao Port** *OW2803074589 Beijing XINHUA in English* 1221 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—Bidding for procurement contracts for Qingdao Port opened here today. Companies from Japan, France, Federal Germany and China attended the opening ceremony.

The contracts are part of the 57 billion yen (about 440 million U.S. dollars) project to expand the port. Finance for the project is provided under an overall aid package given by the Overseas Economic Cooperation Fund of Japan.

The contracts are for loading and unloading equipment and automatic control facilities for two coal terminals at the port.

Qingdao Port is on the Yellow Sea. It is China's fourth biggest port with 50 berths and an annual handling capacity of over 30 million tons.

After the project is completed in 1992, the port will be able to handle an additional 17 million tons a year.

### United States & Canada

#### **U.S. Eases Export of High Technology to PRC** *OW2803081589 Beijing Domestic Television Service* in Mandarin 1400 GMT 24 Mar 89

[From the "Night News" program]

[Text] The U.S. Government has relaxed the restrictions imposed on the export of high technologies and important materials to China.

An agreement was reached by the 16 member states of the Coordinating Committee for Multilateral Export Controls [COCOM] in Paris on 28 February. It became effective the same day.

According to Paul Freedenberg, deputy secretary of the U.S. Department of Commerce [title as heard], the change reflects the willingness of the United States and other COCOM members to improve relations with the People's Republic of China and support China in improving its civil industries.

#### **RENMIN RIBAO Views Floggings in Delaware** *HK2803041089 Beijing RENMIN RIBAO in Chinese* 24 Mar 89 p 4

["Random Notes" by Chen Feng (7115 1409): "Lashing and Human Rights"]

[Text] According to a report carried in Britain's *SUNDAY TIMES*, the Delaware legislature, in the United States, has attempted to resume the practice of flogging prisoners. This small state along the east coast, not far from Washington, has maintained the practice of flogging for a long time. Even by the year 1963 the Supreme Court of the state officially declared that flogging is not unconstitutional. Because of increasingly vocal opposition, the practice was abrogated in 1972.

As drug trafficking has run wild despite prohibitions, a section of one of Delaware's highways has gradually become a place for traffickers to sell cocaine and other drugs. To punish these traffickers the state senate, in which the Democratic Party occupies a majority of seats, recently proposed a motion on resuming the practice of flogging offenders. The motion proposed in detail meting out 5 to 40 lashes to first offenders and some 60 lashes to repeaters. An official of the state government said that if the motion on resuming the practice of flogging is adopted, it will embarrass the state governor and discredit the state of Delaware.

Drug trafficking is, of course, a serious crime. Most countries sternly punish such an offense according to their laws. However, it is indeed rare to apply flogging, a savage corporal punishment of the Middle Ages, as a means of punishment. Regarding some Americans who have flaunted the banner of human rights and who have repeatedly blamed others for violating human rights, isn't this play, performed before their eyes, a mockery?

#### **U.S. Analyst Advises on PRC Futures Market** *OW2803051189 Beijing XINHUA in English* 0908 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—Speculation is a key ingredient to the successful operation of a futures market, a leading analyst said.

William Grossman, vice president of the Chicago Board of Trade (CBOT), made this observation while visiting Zhengzhou. Zhengzhou is the site for China's first grain and oil futures market.

The market is expected to be formally set up later this year, perhaps as soon as September.

"Market-makers, people who take the risk that farmers, processors, merchants and consumers want to avoid, have to be allowed to engage in speculation to make the futures market operational," Grossman said.

Preparations including the building of a 16-storied trading center ultimately are under way for setting up an agricultural commodity futures market in Henan Province, the major wheat producing area in China.

A futures market provides farmers with a hedge against price fluctuations, Grossman said. This, in turn, encourages farmers to invest more in their land, in this case in grain production.

Grossman suggested that, in China's case, it might be prudent at first to limit trading to one type of contract, such as wheat futures. "After trading reaches a mature level, then other contracts can be introduced," Grossman said.

Inadequate infrastructure may work against the successful implementation of the futures market, Grossman said. This is because of the need for efficient storage, transportation and communications.

Grossman, who is also general manager of CBOT's Asia-Pacific Office in Tokyo, suggested trial "mock deliveries" before the start of trading to test delivery procedures.

CBOT has been operating an educational exchange program since 1986 with the International Trade Research Institute under the Ministry of Foreign Economic Relations and Trade.

CBOT is considering the possibility of helping to set up a futures trading training center in China.

### Soviet Union

**Sino-Soviet Accord on River Navigation Signed**  
*OW2803080989 Beijing XINHUA in English*  
1559 GMT 27 Mar 89

[Text Moscow, March 27 (XINHUA)—After nearly two weeks of talks, negotiators for China and the Soviet Union reported reaching agreements today on a number of navigation issues on their boundary rivers.

Delegations from the two countries began their talks March 14 at Khabarovsk in the Soviet Far East. This was the 31st session of the Sino-Soviet joint commission for navigation on the boundary rivers.

Topics covered by the agreements include the improvement of navigation conditions, navigation marks and transport safety, and accident responses on the Heilongjiang River, the Wusuli River and the Argun River. The two delegations also discussed expanding cooperation between the two countries in navigation.

Wang Yuanzhang, head of the Chinese delegation, and A. M. Sukhov, who led the Soviet team, signed the minutes of the meeting.

The two sides agreed that their next session will take place in the Chinese city of Harbin at a date yet to be fixed.

**Textile Delegation Departs for Visit to USSR**  
*HK2803020289 Beijing CHINA DAILY in English*  
28 Mar 89 p 2

[By staff reporter Jiang Xiaoyun]

[Text] A seven-member Chinese textile delegation left for the Soviet Union and France yesterday for two weeks of negotiations on bilateral co-operation in the textile industry.

The delegation's leader, Ji Guobiao, Vice-minister of the Textile Industry Ministry, is the highest-ranking Chinese textile official to have visited the Soviet Union in 30 years.

The vice-minister of the Soviet Ministry of Textile Industry and the chairman of the Soviet State Planning Bureau visited China last July.

Ji Jun, deputy chief of the ministry's foreign affairs department, said the Chinese delegation would conduct a comprehensive inspection of the Soviet textile industry and market for textile products and carry on the consultations on bilateral economic and technical co-operation begun last July.

Ji said several projects are on the agenda.

One is a Sino-Soviet joint venture for a flax processing factory in Harbin, Heilongjiang Province, where in the 1950s the Soviet Union helped construct China's largest flax factory. A feasibility study for the project is now under way.

If the factory is built, the Chinese side will supply flax and the finished product, linen, will be sold back in the Soviet Union.

In another, the Soviet Union plans to send chemical fibre pulp to China to be processed into rayon viscose, which will be shipped back to the Soviet market.

Also, China will make garments for sale in the Soviet Union using Soviet designs.

As for the Sino-Soviet textiles trade, China will export textile products worth 330 million Swiss francs (about \$220 million) to the Soviet Union this year, according to Li Yanlin, deputy general manager of Oriental Trading Corporation under China National Textiles Import & Export Corporation.

These include cotton cloth, synthetic-blend fabrics, wool carpets, garments, cotton knitting products, handkerchiefs, towels, bath towels and sheets.



Li said that Chinese textiles are very popular in the Soviet Union. Towels and sheets sell so well that shops have to limit the number each person can buy, and children's skirts made in China are regarded as works of art.

In exchange, the Soviet Union provides China with steel, lumber, nonferrous metals and electric power plants.

The volume of Sino-Soviet textiles trade is negotiated in advance between the two countries' governments.

Because the Soviet Union's major trade partners are East European countries, Li said, China contributes less than 10 percent of total Soviet textiles imports.

China and the Soviet Union have carried on trade in textile products since 1952. China's textile exports to the USSR reached a record high in 1986, of 670 million Swiss francs (about \$441 million), or 30 percent of China's total exports to the Soviet Union that year.

The value of China's textile exports to the Soviet Union was 380 million Swiss francs (about \$250 million) last year and was reduced by 50 million Swiss francs (about \$32 million) this year.

"However," said Li, "China's total exports to the Soviet Union this year will increase."

**Xinjiang, USSR Pursue Technical Cooperation**  
*OW2803115089 Beijing XINHUA in English*  
0846 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—As Sino-Soviet relations continue to thaw, the Xinjiang Uygur Autonomous Region in northwest China is conducting more and more direct technical cooperation with its five bordering Soviet republics.

Recently the region received a list of 51 projects proposed for co-operation submitted by the Kazakh Soviet Socialist Republic. These projects cover agriculture, animal husbandry, geology, metallurgy, mining, petroleum, water conservation and other fields. Regional authorities have started studying the proposals.

Direct technical cooperation began last July, when an agreement was reached in Moscow at the third conference of the Sino-Soviet Economic, Trade, and Science and Technology Cooperation Committee.

Shortly after the conference, Xinjiang sent a science and technology delegation to the five Soviet republics on a tour of investigation and established direct cooperative relations.

Since then, Xinjiang has signed two protocols on cooperation in seismological research with the Kirghiz Soviet Socialist Republic and the Tajik Soviet Socialist Republic, respectively. It also signed a protocol on technical cooperation in the fields of petroleum and natural gas with the Turkmen Soviet Socialist Republic.

Besides, the Xinjiang branch of the Chinese Academy of Sciences has signed with the same Soviet republics 20 documents on cooperation in scientific research.

Recently, Xinjiang exported to the Soviet side computer-controlled technology for electrolyzing aluminum.

At present, the Soviet republics are more advanced in animal husbandry, farming, mining and the nonferrous metals industry. However, Xinjiang has the advantage in oasis farming, geological prospecting, the petroleum industry and water resources prospecting, as well as in the computer, food and textile industries.

**Fujian Develops Trade With USSR**  
*OW2803120089 Fuzhou FUJIAN RIBAO in Chinese*  
16 Mar 89 p 2

[Text] An economic and technological cooperation delegation of Fujian Province recently visited Heilongjiang Province. During its visit there, it held successful trade talks with representatives of five Soviet organizations: the Chita Oblast economic delegation, the Ministry of Chemical Industry, the Far East Chemical Plant, the Coastal and Border Petroleum Administration, and the Vladivostok Vegetable and Fruit Company. The two sides reached agreement on their intent to conduct the following barter trade:

1. Our side will supply plastics equipment and floor tiles in exchange for 100 metric tons of Soviet plastic films for agricultural use;
2. Our side will supply building ceramics and 10 sets of filling station equipment in exchange for 100,000 metric tons of Soviet gasoline and diesel oil; and
3. Our side will supply 3,000 metric tons of tangerines and 2,000 metric tons of oranges in exchange for Soviet raw materials for chemical industry and rolled steel scrap (to be delivered in Xiamen Harbor).

In addition, the Soviet side expressed great interest in Fujian's ceramic tiles, bed sheets, athletic shoes, and garments, and wanted to make further negotiations.

**Qiqihar-USSR Border Trade Expands**  
*SK2803052789 Harbin Heilongjiang Provincial Service*  
in Mandarin 2200 GMT 27 Mar 89

[Text] The Qiqihar City Supply and Marketing Cooperative has broken with the small scale of rural areas and focused its efforts on the large-scale international markets. As a result, it has made a breakthrough in border trade with the Soviet Union. This January, the total volume of

the barter trade contracts signed with the Soviet Union amounted to 11.42 million Swiss francs, 103 times the total volume signed during 1988. [as heard]

### Northeast Asia

**Sino-Korean Trade Progress Reported**  
SK2803032789 Shenyang DONGBEI JINGJI BAO  
in Chinese No 339 14 Mar 89 p 1

[Text] The Yalu River is like a long green ribbon which lies between the Chinese and Korean peoples. Dandong City in Liaoning Province is located on the border between the PRC and the DPRK. The cities of Dandong and Sinuiju in North Pyongan Province of the DPRK face each other across the Yalu Jiang. The borderline between the two cities is more than 300 kilometers long. The farthest distance between them is several li and the nearest one is only several strides. Cockcrows and barks can be heard on both banks of the river and friendly contacts between the peoples on both banks are frequent.

Since the 3d Plenary Session of the 11th CPC Central Committee, Sino-Korean border trade has achieved new progress. By the end of 1988, the export and import volume reached 150 million yuan of renminbi.

The border trade of the two countries has enlarged their economic cooperation and enhanced Sino-Korean friendship. In 1987, North Pyongan Province in the DPRK had a poor harvest due to natural disaster and asked our side to provide relief corn for its people with the condition that the corn will be returned with the rice harvested in the autumn. Upon receiving the call, Dandong City concentrated all forces on the supply operation and dispatched 15 trucks to deliver grains day and night to deal with the emergency. During the 3-month period, we exported 20,000 tons of corn to the DPRK province. Hong Song-taek, manager of the Korean border trade cooperation, praised the supplying operation by saying that "there is no other place in the world than Dandong City which has delivered its commodities before signing a contract and that this has proved that the friendship between the peoples of the two countries is deep".

Our friendship is eternal and our support is mutual. The Korean side successively signed two contracts with Dandong City on exporting 5,000 tons of liquified petroleum gas to help the city overcome its difficulties and relieve its supply contradiction. The Korean side also signed a 2-year contract with the Dandong paper mill on exporting 5,000 tons of reed to help the mill relieve its urgent shortage of raw material.

**Hu Qili Meets Japanese Youth Delegation**  
OW2803073789 Beijing Television Service in Mandarin  
1400 GMT 20 Mar 89

[From the "Night News" program]

[Text] At Zhongnanhai this morning, Hu Qili, member of the Standing Committee of the Political Bureau and member of the Secretariat of the CPC Central Committee, met with a delegation from the Junior Chamber of

Commerce of Tokyo, Japan. [Video shows Hu Qili shaking hands with Japanese guests; video then cuts to shots of Hu Qili and Japanese guests posing for a photograph]

The delegation is headed by (Yoshizo Abe), chairman of the Board of Directors of the Junior Chamber of Commerce of Tokyo, Japan. The honorary head of the delegation is (Okuyama Naka), president of this organization.

[Video cuts to shots of Hu Qili, sitting, at a meeting with the Japanese guests] At the meeting, Hu Qili pointed out: It is our common desire to maintain the long stability of Sino-Japanese friendship.

### Southeast Asia & Pacific

**LIAOWANG Views SRV Stand on Cambodia**  
OW2803020189 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 11, 13 Mar, 89 pp 2-3

[Article by Tang Tianri (0781 1131 2480): "Vietnam Miscalculates the Situation Again"]

[Text] Recently, especially around the time when the USSR withdrew all its troops from Afghanistan, all the international parties concerned intensively engaged in diplomatic activities centering around solving the Cambodian issue politically. This new situation creates an illusion for Vietnam, who believes that, since people are eager to solve the Cambodian issue, they are willing to conclude a deal, no matter what price Vietnam and the Phnom Penh regime ask. This has been markedly evident at the second informal talks on Cambodia in Jakarta, at which Vietnam's attitude appeared extremely stubborn and tricky.

Cambodian issues involve domestic and international aspects, all created by the Vietnamese invasion. For these two inseparable aspects, Vietnam bears the unshirkable responsibility. The hope people entertained was that, at these informal talks in Jakarta, Vietnam could learn some beneficial revelations and lessons from Soviet actions in Afghanistan, and change the irrational and rigid attitudes expressed in the past. However, in both domestic and international aspects, Vietnam disappointed us by still insisting on its former stand.

The international aspect of the Cambodian issue mainly lies in the withdrawal of Vietnamese troops. People believe that the fact that the USSR carried out complete withdrawal of its troops from Afghanistan at least provides the following things for Vietnam to learn and imitate: 1) a true withdrawal of troops implemented in accordance with a clear timetable, rather than a false withdrawal in the form of changing military uniforms while continuing to stay; 2) a withdrawal of troops without precondition; 3) a withdrawal of troops under real and effective international supervision, instead of refusing it. The withdrawal suggestion raised by the tripartite Democratic Kampuchea in its

five-point peace proposal conforms to the above-mentioned points. That is, Vietnam must actually withdraw its troops in accordance with a clear timetable under the effective supervision of the international community, without preconditions.

However, while discussing the key issue of withdrawing troops at the Jakarta talks, Vietnam was not only unwilling to learn and imitate Soviet approaches in Afghanistan, but also refused the reasonable suggestions raised by tripartite Democratic Kampuchea. On top of that, Vietnam proposed a bunch of preconditions as an excuse for postponing troop withdrawal, such as ceasing to provide military aid to all parties in Cambodia while withdrawal is in process.

What was particularly obnoxious was that Nguyen Co Thach, Vietnamese foreign minister who participated in the Jakarta talks, was inconsistent and played tricks on the issue of withdrawing troops. At one point, he said that, if agreement could not be reached at the second Jakarta meeting, Vietnam would not completely withdraw its troops from Cambodia by September 1989, as it promised early this year. At another point, he changed his wording: Even if an agreement on problems concerning the components of Cambodia's future government could not be reached, Vietnam would still withdraw all its troops from Cambodia before midnight on 30 September 1989. Then he went back on his word and played the same old tune that Vietnam would withdraw all its troops by the end of 1990. This shows that the timetables of withdrawing troops announced by Vietnamese authorities are but deceptive talk.

The domestic aspect of Cambodian issues mainly lies in the establishment of an interim coalition government of four parties to realize national reconciliation. As we know, the settlement of international aspect of the Afghan issue, that is, a complete withdrawal of Soviet troops, was successful. But, the domestic aspect, that is, to quickly establish a coalition government which has an extensive foundation and is acceptable to all parties concerned, so as to realize national reconciliation, has not been successful so far. Therefore, the situation in Afghanistan is in chaos, with clouds of civil war looming over the country. In view of this lesson, the five-point peace proposal raised by tripartite Democratic Kampuchea provides that, after Vietnam withdraws all its troops from Cambodia, the Phnom Penh regime and the Coalition Government of Democratic Kampuchea dissolve at the same time. The four parties of Cambodia form, through equal consultation, a four-party interim government and a four-party coalition army. Under international supervision, the four-party interim government will hold a national election. This proposition is very fair and reasonable. If an agreement based on this proposition can be achieved and carried out, Cambodia can avoid civil war, realize its national reconciliation, and become a peaceful, neutral, independent, and non-aligned country.

However, both Vietnam and the Phnom Penh regime oppose such a proposition. They disagree that the Phnom Penh regime be dissolved. They oppose the idea of establishing a four-party interim coalition government headed by Prince Sihanouk. They insist that a national election should be held by the Phnom Penh regime. They intend to establish a coalition government, with the Phnom Penh regime as a major part, to facilitate continuing control of Cambodia by Vietnam. The purpose of these propositions and approach by Vietnam is to achieve at the negotiation table what it cannot achieve on the battlefield.

It was Vietnam's stubbornness and lack of sincerity that made the recent Jakarta meeting break up in discord without substantial progress. The result of the meeting shows that Vietnam once again miscalculated the situation. Compared to the earlier Jakarta meeting, Vietnam's peddling of its proposal on settlement of the Cambodia issue according to its marked price and conditions at the recent meeting found even less support in Cambodia and in the world as a whole.

People have noticed that, on the eve of the recent Jakarta meeting, representatives of the three factions of Democratic Kampuchea met in Beijing, strengthened their unity and cooperation, unanimously supported Prince Sihanouk's five-point peace plan, and adopted concrete measures for implementing the plan. On 11 February, Prince Sihanouk announced his resumption of the presidency of Democratic Kampuchea and thus enhanced the negotiation status and strength of the three factions of Democratic Kampuchea. During the Beijing meeting, the three Democratic Kampuchean factions took a unified stand and let Prime Minister Son Sann speak for them. The five-point peace plan they put forward during the meeting has won widespread sympathy and support in the international community.

A sharp contrast to this is that the Vietnamese and the Phnom Penh regimes once again exposed to the world their disgusting attitude and stubborn stand during the recent Jakarta meeting. Currently, the main obstacle to a just and rational settlement of the Cambodia issue still comes from Vietnam. In particular, Vietnamese Foreign Minister Nguyen Co Thach's ugly show of going back on his word has become a shameful laughingstock. Vietnam has become even more isolated in the international community.

It is deplorable that the Vietnamese authorities not only know nothing about their isolation. They are even bragging that their "constructive proposal" made the Jakarta meeting a "great success." While the Vietnamese authorities are clinging to their stubborn stand with self-satisfaction, are they haggling in a brazen-faced and unreasonable manner, or are they trying to remain in the quagmire of Cambodia? In any case, it still requires the international community to continue to exert pressure on Vietnam to achieve a just and rational settlement of the Cambodia issue.



**Culture Minister Ends New Zealand Visit**  
*OW2703144589 Beijing XINHUA in English*  
0209 GMT 25 Mar 89

[Text] Wellington, March 25 (XINHUA)—Chinese Minister of Culture Wang Meng left Auckland, North Island, this morning after his two-week visit to New Zealand.

During the visit Wang met his New Zealand counterpart Michael Bassett and Minister of Foreign Affairs and Pacific Island Affairs Russell Marshall. He also had an informal meeting with Prime Minister David Lange in Wellington.

The trip also took the Chinese minister to Christchurch, Queenstown and Arrowtown on the South Island and Rotorua on the North Island.

Wang's visit is reciprocal to Bassett's visit to China last year, and is seen in the context of a continued flow of ministerial and top level exchanges between the two countries since they forged diplomatic ties in 1972 and especially in recent years.

**Near East & South Asia**

**Experts Sent To Train Bangladesh Navy Team**  
*OW2803081789 Beijing XINHUA in English*  
1248 GMT 26 Mar 89

[Text] Beijing, March 26 (XINHUA)—China Salvage Company, for the first time, has sent a group of its experts to Bangladesh to train a navy salvage team how to operate, "CHINA DAILY" reported today.

The four-month training project involved seven experts from China and 38 divers, technicians, crew and sailors from Bangladesh, said Zhao Tongwen, an engineer from the Chinese Salvage Company.

During the training project, Zhao said, Chinese experts will teach the theory and technology in salvage operations, diving and underwater welding and cutting.

Another part of the training covers specific operational training, including the salvage of ships, damage control of submarines, firefighting at sea and towing vessels out of stranded positions, salvage plan designs, salvage technology and searching for sunken vessels.

China has three centers of salvage, in Yantai, Shandong Province, Shanghai and Guangdong Province, and 14 salvage stations from north of Qinhuangdao port to south of Hainan Province. They are ready to salvage at any time, the paper reports.

"We have invested at least 500 million yuan into the salvage industry," said Zhao, adding part of the funds were used on importing advanced salvage technologies and equipment.

The saturation diving technology, for example, was introduced from the United States and makes it possible for divers to work under pressure for extended periods.

The remote operated vehicle was imported from Britain to work underwater in place of divers.

China also pooled 27 million yuan to establish a communication network for professional salvage on the ocean since 1986.

**Ni Zhifu Attends Bangladesh Envoy's Reception**  
*OW2803104589 Beijing XINHUA in English*  
1212 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—Bangladesh Ambassador to China Farooq Subhan and his wife gave a reception here this evening to mark the independence and national day of their country.

Among the several hundred guests were Ni Zhifu, vice-chairman of the Standing Committee of the National People's Congress; Zhu Xun, Chinese minister of geology and mineral resources; and diplomatic envoys of various countries in Beijing.

At the end of the reception, over a dozen of girl students from the China-Bangladesh Friendship School gave a song and dance performance at the invitation of the Bangladesh Embassy. They won an enthusiastic applause after they sang a Bangladesh song.

**Sub-Saharan Africa**

**Cooperation Agreement Signed With Uganda**  
*EA2403213289 Kampala Domestic Service in English*  
1400 GMT 24 Mar 89

[Excerpts] President Yoweri Museveni, his wife Janet, and their party have left Beijing for Guangzhou to tour Guangdong Province in southern China. [passage omitted]

Prior to the departure of the president and his party, an agreement on economic and technical cooperation between the Chinese and Ugandan Governments was signed. The Chinese foreign minister, Mr Qian Qichen, and the Ugandan second deputy prime minister of foreign affairs, Mr Paul Kawanga Ssemogerere, signed the agreement. [passage omitted]

**West Europe**

**Song Jian Meets Portuguese Communist Leader**  
*OW2803073189 Beijing XINHUA in English*  
0256 GMT 28 Mar 89

[Text] Lisbon, March 27 (XINHUA)—A Chinese Communist Party delegation's visit to the Communist Party of Portugal (CPP) is intended to promote mutual understanding and friendship, Song Jian, head of the Chinese delegation, said here today.

Song, a member of the CPC Politburo, met today with Alvaro Cunhal, general-secretary of the Central Committee of the CPP. He told Cunhal of China's readjusted economic orders and further reform policies.

Cunhal told his guests the functions of his party's democratic process and the party's work in carrying out the policies of the 13th Congress of the CPP.

**Political & Social**

**Activities of 2d Session of 7th NPC Detailed**

**Session Held To Consider New Laws**  
*OW2803024289 Beijing XINHUA in English*  
*0157 GMT 28 Mar 89*

["NPC Session Briefed on Laws To Be Enacted"—XINHUA headline]

[Text] Beijing, March 28 (XINHUA)—The Second Session of the Seventh National People's Congress (NPC) today held its third plenary meeting to examine a report on the work of the NPC Standing Committee, two draft laws and an authorization bill from the State Council.

The draft laws are "the Administrative Litigation Law of the People's Republic of China" and "Rules of Procedure for the National People's Congress of the People's Republic of China."

In the authorization bill, Premier Li Peng, on behalf of the State Council, asks the NPC to authorize the Shenzhen Municipal People's Congress and its standing committee and the Shenzhen municipal government with the power to formulate regulations and rules for the Shenzhen Special Economic Zone.

Wang Hanbin, vice-chairman of the NPC Standing Committee and concurrently chairman of its Legislative Affairs Committee, addressed the meeting, briefing deputies on the two draft laws.

Enactment of an administrative litigation law, Wang said, is an important step in the establishment of a democratic political system in China. The law, when enacted, will be conducive to safeguarding the legitimate rights of the people as well as the administrative functions of the government.

Enactment of the rules of procedure for the NPC, he said, will systematize the work of the NPC and enable it to proceed with its business with all legality.

Luo Gan, secretary-general of the State Council, briefed the deputies on the authorization bill concerning enactment of rules and regulations in Shenzhen.

Peng Chong, vice-chairman of the NPC Standing Committee, delivered a report on the work of the Standing Committee.

He told deputies that the NPC Standing Committee has achieved remarkable progress in legislation and exercising supervision over the government in the past year.

Peng made the speech on behalf of the NPC Standing Committee.

The plenary meeting was presided over by Lei Jieqiong, permanent chairperson of the Presidium of the current NPC session.

**Administrative Litigation Law Submitted**  
*OW2803021189 Beijing XINHUA in English*  
*0128 GMT 28 Mar 89*

[Text] Beijing, March 28 (XINHUA)—China's first law on administrative litigation (draft) was submitted today to the National People's Congress (NPC) for examination after three years of preparations.

Formulation of this law is "a big event in establishing China's legal system and a significant step in advancing the nation's political democracy," said Wang Hanbin, vice-chairman of the NPC Standing Committee, in explaining the law to NPC's ongoing second session today.

The law will be of great significance in protecting the legitimate rights and interests of citizens, safeguard the functioning and the performance of duties by administrative organs, and raise their work efficiency, said Wang, who is also chairman of the Legislative Affairs Commission under NPC standing committee.

Drafters have drawn on the experience of courts in handling administrative lawsuits in recent years and made references to practices of foreign countries in the field.

Currently, more than 130 laws and regulations, drawn up since an administrative litigation system was set up in 1982, stipulate the rights of individual citizens as well as organizations to file administrative lawsuits.

More than 1,400 tribunals have been established across the country to handle administrative lawsuits, Wang said. "Their work has accumulated a wealth of experience valuable to the drafting of this law."

The NPC Standing Committee's Legal Affairs Commission has received some 130 pieces of opinions from central and local government departments, courts and prosecuting offices, and over 300 pieces of opinions from individual citizens since the draft law was made public last October after being revised several times.

Wang Hanbin said the scope of the law's jurisdiction represents one of the important questions legislators had to answer first.

In view of the fact that China's administrative law is imperfect, the court's administrative tribunals are insufficient, and people have to change their old notion concerning filing lawsuits against officials, the scope of the law's jurisdiction should not be set too wide to start with and will have to expand step by step, Wang explained.



He said the draft law says that citizens, legal persons and other organizations can sue administrative organs or staffers for infringing upon their lawful rights and interests. And the courts will accept and handle eight kinds of lawsuits:

1. Where administrative penalties are contested involving detention, fines, suspension of licenses, order to stop operation or business, and confiscation of property or belongings;
2. Where forced administrative measures are contested involving restriction of personal freedom, sealing up, distraining or freezing property;
3. Where administrative organs are considered as infringing on the right to independent or contracted operations permitted by law;
4. Where administrative organs refuse to issue licenses to applicants who meet the relevant regulations;
5. Where administrative organs refuse to perform duties in protecting people's life and property upon request;
6. Where administrative organs are considered as failing to give allowance to families of revolutionary martyrs according to law;
7. Where administrative organs are considered as demanding obligations in violation of law;
8. Where administrative organs are considered as infringing upon other rights to life or property.

Besides, the courts will also handle other administrative cases specified by relevant laws or regulations.

Wang Hanbin said that these are much wider than the existing scope of jurisdiction of the courts.

To ensure an effective performance of the duties of administrative organs, the draft law says, the courts are not expected to handle following lawsuits:

1. Acts by the state with regard to national defense and foreign affairs;
2. Administrative decrees and regulations or decisions, resolutions and orders by administrative organs;
3. Awards, penalties, appointments and removals by administrative organs with regard to their staffers;
4. Administrative acts for which administrative organs have been empowered by law to make final ruling.

According to the draft law, the court enjoys judicial authority in handling administrative lawsuits independently, and is free from interference by administrative organs, social groups or individuals.

The court shall not make decisions in the place of administrative organs, and in administering administrative cases the court will follow the systems of collegiate bench, withdrawal, public hearings and second instance being the last instance, according to the draft law.

In the process, the litigants have the right to debate on the basis of equality as prescribed by law.

The procuratorates have the right to supervise procedures of administrative litigation. The prosecuting offices can protest against court rulings or verdicts, if they are found to have violated laws.

Wang Hanbin suggested the law become effective as of April 1, 1990, if it is adopted at the session. But before that, administrative lawsuits will be handled according to the civil procedural law on trial implementation.

### Reactions to Litigation Law

OW280303789 Beijing XINHUA in English  
0759 GMT 28 Mar 89

[Text] Beijing, March 28 (XINHUA)—China's Administrative Litigation Law (Draft) has been arousing interest from people of different circles.

The draft law being examined here by the Second Session of the Seventh National People's Congress (NPC) is regarded as the first of its kind that gives ordinary people the right to sue the government and its officials.

The NPC Standing Committee has received more than 300 letters on the draft law.

Many of the letters urge the NPC, China's legislative body, to improve the draft law and promulgate it as early as possible.

Some of the letters point out that the law is in keeping with the principle of all power belonging to the people.

Most of the letters say that the scope in which courts are obliged to accept and handle cases, as is defined in the draft law, is too narrow. The law should ensure that citizens and organizations can sue the government over any administrative behaviors which they think infringe on their legitimate rights.

Some letters clash over whether government regulations can be used as a basis for making court decisions. Letters objecting to the idea reason that, since government regulations are formulated by different government departments, are often contradictory against one another and even run counter to laws, government regulations should not be used as a basis for judging cases.

Some letters also differ on whether court decisions can change administrative decisions. Letters from court staff say judicial departments should have the power to correct administrative decisions, otherwise people's legitimate rights cannot be protected. On the other hand, people from administrative bodies insist that meting out administrative punishment is one of the functions of administrative bodies and that court decisions should not replace administrative decisions.

A dozen letters suggest adding one clause to the draft law. The clause should specify that, if courts fail to enforce the law, plaintiffs can appeal to the Standing Committee of People's Congresses at relevant levels.

#### **NPC Procedural Rules Submitted**

OW2803021889 Beijing XINHUA in English  
0143 GMT 28 Mar 89

[Text] Beijing, March 28 (XINHUA)—The Draft Rules of Procedure of the National People's Congress (NPC) will facilitate China's highest legislature in its exercise of power, vice-chairman of the Seventh NPC Standing Committee Wang Hanbin said here today.

The draft was submitted today to the current session of the NPC for deliberation.

Since last August, the draft has been sent twice to NPC deputies, NPC special committees, provincial People's Congress Standing Committees, central departments and experts for suggestions and opinions, said Wang, who is also chairman of the NPC Standing Committee's Legislative Affairs Commission.

Explaining the draft to the NPC deputies today, Wang Hanbin said that opinions and suggestions were also invited at several discussions presided over by chairman of the NPC Standing Committee Wan Li. The submitted draft is the product of repeated revisions in the light of opinions from various circles, he added.

Wang elaborated the provisions of the rules including time of convention, resignation of state leaders and composition of investigation committees on specific issues.

The draft stipulates that the time of convention of NPC annual session falls in the first quarter of each year. But Wang said work will be done to gradually move it up for December which is the proper time for the annual session, taking into account its duty to deliberate and approve annual plan for economic and social development and the state budget.

As it is still difficult at present to put into action the suggestion that construction of key projects, financial deficits, foreign debt and currency issuance should be approved by the NPC, Wang noted, the draft says that the relevant departments under the State Council must report the main contents of the plan and state budget to the NPC Financial Committee and other special committees one month before the convention of the NPC. And major statistics of the annual development plan and state budget must be sent to NPC deputies when they meet in session.

Wang said the Constitution and the NPC Organic Law include neither provisions on resignation of state leaders nor provisions on the designation of acting persons in

case the premiership of the State Council, the chairmanship of the Central Military Commission, the presidency of the Supreme People's Court and the procurator-general of the People's Supreme Procuratorate are vacant for one reason or another. Now the draft has provisions concerning these issues, he added.

According to the draft rules of procedure, the NPC Presidium, or at least three delegations or more than one-tenth of the NPC deputies may propose forming investigation committees on specific issues, he said. But the matter shall be decided upon by the plenary session.

The composition of such investigation committees and its work procedure are also provided for in the draft, Wang Hanbin added.

In his explanation, Wang also touched on the provisions concerning those attending NPC sessions as observers, the time limit to deputies' speeches and the openness of the NPC session to the public.

According to the draft rules, each deputy can make two speeches at a NPC plenary meeting, but the first speech can last no longer than ten minutes and the second, no longer than five minutes.

The draft also stipulates that the NPC sessions are generally open to the public and the election or voting results should be made public. NPC sessions should also hold press conferences.

#### **Shenzhen Regulatory Authority Proposed**

OW2803023689 Beijing XINHUA in English  
0149 GMT 28 Mar 89

["State Council Proposes Shenzhen City Be Empowered To Formulate Local Regulations"—XINHUA headline]

[Text] Beijing, March 28 (XINHUA)—Chinese Premier Li Peng today submitted to the country's parliament a bill on authorizing Shenzhen City, a special economic zone (SEZ) in south China, to formulate local regulations and rules.

The bill was submitted to the Second Session of the Seventh National People's Congress being convened in the Chinese capital.

Premier Li Peng proposes that the Shenzhen Municipal People's Congress and its Standing Committee be empowered to enact local regulations, and the Shenzhen Municipal People's Government, to formulate rules.

The bill is designed to speed up the development of the Shenzhen SEZ, enable it to open wider to the outside world and accelerate the development of a socialist market economy there.

According to relevant Chinese laws and regulations, only People's Congresses at the provincial level and its Standing Committees have the power to formulate local regulations, and people's governments at the provincial level, to draw up rules.

Entrusted by the State Council, Luo Gan, secretary-general of the State Council, briefed the current NPC session on the authorization bill.

He said that the Shenzhen SEZ has scored significant achievements in the 10 years of its existence.

Its gross national product (GNP) increased to 7.3 billion yuan in 1988 from 193 million in 1979, representing an average annual growth rate of 41.6 percent, Luo said.

By the end of 1988, a total of 6,179 contracts on use of foreign investment in Shenzhen had been concluded, involving a total of 5 billion U.S. dollars, with 2.27 billion U.S. dollars put into use.

Its total volume of imports and exports grew to 1.8 billion U.S. dollars in 1988 from 9.3 million U.S. dollars in 1979, seeing an average annual growth rate of 80 percent, Luo said.

He pointed out, however, that the Shenzhen SEZ has come against obstacles in its efforts to open wider and develop further owing to the absence of a legal framework that suits the development of a market economy and is in keeping with international norms as well as the absence of a new system that ensures clean and efficient government.

That is why the State Council has proposed the authorization bill, Luo said.

According to the bill, he said, regulations and rules formulated by the Shenzhen legislature and government should be reported to the NPC Standing Committee, the State Council and the Standing Committee of the Guangdong Provincial People's Congress for the record.

#### **Reform, Economy, Supervision Laws Planned**

*OW2803032789 Beijing XINHUA in English  
0316 GMT 28 Mar 89*

[Text] Beijing, March 28 (XINHUA)—The Standing Committee of the National People's Congress (NPC) will concentrate on enacting laws relating to economic revamping and continuing reforms in the next two years, said Peng Chong, vice chairman of the NPC Standing Committee.

They include, he said, the price control law, budget law, banking law, corporate law, private enterprises law and law on preventing unfair competition.

The NPC Standing Committee also will enact laws that aim at protecting the rights of citizens and maintaining public order, Peng said. They include the press law, publishing law, mass organizations law and law on public gathering and demonstrations.

Meanwhile, he said, efforts will be stepped up for the enactment of education law, teachers' law and science and technology law.

Peng Chong outlined the legislative plan today in his report on the work of the NPC Standing Committee addressed to the Second Session of the 7th NPC being convened in the Chinese capital.

Peng said that two draft laws—the Administrative Litigation Law and Rules of Procedure for the NPC—being examined by the NPC current session aim at protecting the legitimate rights of citizens and raising the efficiency of the NPC respectively.

Peng said that, in the past year, the NPC Standing Committee has greatly strengthened legislation and supervision on law enforcement.

The committee has enacted 13 laws and decisions on relevant laws. They include the Standardization Law, Law on the Inspection of Import and Export Commodities, Regulations on Military Ranks, Regulations on PLA Officers in Active Service, the State Secret Law, Law To Prevent and Control Infectious Diseases and Law on the Protection of Wildlife.

The past year, he said, has seen a marked improvement in the NPC Standing Committee's work in supporting and urging local departments to correct doings that are unconstitutional or run counter to law.

But, he stressed, the work needs strengthening and further improvement and more efforts will be devoted to enacting laws combating economic crimes and enforcing the industrial enterprise law in the current economic revamping.

He said legal awareness of officials and the people should be further strengthened so as to do away with such tendencies as an unwillingness to enforce laws, slack law enforcement and failure to investigate and punish law breakers.

"We must learn how to combat illegal activities through legal means," he said. "Therefore, the spreading of legal knowledge should be promoted."

On supervision by the NPC over the government, Peng said that in the past year, the NPC Standing Committee has heard reports from relevant government departments on such issues as price, salary, agriculture, education and public security.



Members of the NPC Standing Committee voiced their criticisms and raised suggestions after hearing the reports, Peng said.

The NPC has the same purpose as administrative, judicial and procuratorial institutions, but at the same time, it exercises supervision over their work, he said.

At present, he said, the NPC Standing Committee is drafting rules on supervision procedures in line with actual conditions, he said.

The rules will require that the government report to NPC deputies in advance on annual economic and social development plans.

Once the budgetary and economic development plans have been adopted, the government must implement them, he said.

Meetings of the NPC Standing Committee convened once every two months will examine the work reports from government departments, the Supreme People's Court and the Supreme People's Procuratorate.

The vice chairman said that the system of People's Congress is China's fundamental political system and the strengthening and improvement of the system constitutes an important part of China's political reform.

#### **Deputies Submit 411 Motions**

OW2803074089 Beijing XINHUA in English  
1429 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—A motion submitted by deputies to the Seventh National People's Congress [NPC] of China calls for banning the import of expensive consumer items, especially luxury sedan cars.

The import of luxury cars should be suspended for at least three to five years, the motion proposes, according to Yang Fengchun, head of the motions and proposals office of the current NPC session.

Another motion proposes that the children of high-ranking officials avoid engaging in business.

They are two of the 411 motions submitted to the current NPC session by six o'clock Monday, the deadline for motion submission during the session.

Of the total, 22 motions were raised by provincial, autonomous regional or municipal deputy groups and the rest, jointly by at least 30 NPC deputies each, Yang Fengchun said.

Of the motions, Yang said, 187 concern politics and laws, 174, finance and economy, and 50, education, culture, science and public health.

All the motions will first be submitted to the seven NPC special committees and then to the session's presidium to see if they are to be placed on the session's agenda or put to the special committees for further examination, Yang said.

A striking feature of the motions, Yang said, is that they are closely related to the current economic readjustment and revamping.

Of the motions, 130, or 32 percent of the total, call for enactment of laws. This is a bigger percentage than last year's.

This shows that NPC deputies are more law-conscious and more aware of the desirability of using legal means to solve problems in the economic revamping, Yang noted.

Many motions call for stepping up legislation to help solve social problems and fight corruption.

In some of the motions, deputies propose that high-ranking officials take the lead in practising economy and thrift.

Some motions call for cracking down on prostitution, the abduction and selling of women and children and the screening of cultural markets, Yang said.

The session has also received 1,800 proposals and criticisms from deputies.

#### **Wang Bingqian Meets Tibetan Deputies**

OW2803093889 Beijing Domestic Service in Mandarin  
1030 GMT 27 Mar 89

[From the "News Hookup" program]

[Text] Speaking at a group discussion of the NPC delegation from Tibet today, Wang Bingqian, state councillor and concurrently minister of finance, said: The state will do its best to aid Tibet.

As soon as the group meeting started, deputies from Tibet spoke enthusiastically, airing their views and making many suggestions.

When the group meeting was about to end, Wang Bingqian said: As Tibet is an important part of China, we should do a good job in developing it. The most important task to do now is to maintain its stability and ward off external interference in the region. At the same time, we must implement the party's policies on nationalities, religion, and united front in Tibet.

He said: It is not possible to change Tibet's outlook overnight. However, it will not be good to wait too long to change its appearance. The state will do its utmost to help Tibet develop its economy, culture, education, transportation, and other undertakings. The state's aid

to Tibet will be a long-term one, but the quantity and quality of aid will have to depend on the state's financial strength. Meanwhile, the most important thing is that the development of Tibet should rely on the efforts of the people of all nationalities in Tibet.

Wang Bingqian said: We should do a great deal of propaganda work in order to make people understand, support, and show concern for Tibet.

**Ngapoi Ngawang Jigme Cited on Tibet**

OW2703192289 Beijing Television Service in Mandarin  
1100 GMT 27 Mar 89

[Video report by reporters Wang Liansheng (3769 6647 3932) and Zhang Ning (1728 1337), captioned "United Front Work Department, NPC Nationalities Committee and Other Organizations Entertain National Minority Deputies and Members"—from the "National News Hookup" program]

[Text] [Video opens with a pan shot of a large hall showing guests coming into the hall and taking seats. Camera then gives medium shots of Li Xiannian, Li Peng, Wan Li, Tian Jiyun and Qiao Shi followed by a close-up shot of Ngapoi Ngawang Jigme delivering a speech]

Last Night, the United Front Work Department under the CPC Central Committee, the NPC Nationalities Committee, the State Nationalities Affairs Commission and the CPPCC Nationalities Committee held a joint tea party at the Great Hall of the People in honor of national minority deputies and members.

Present at the tea party were Li Peng, Wan Li, Li Xiannian, Qiao Shi and Tian Jiyun. They joyously joined with the national minority NPC deputies attending the ongoing Second Session of the Seventh NPC and the national minority CPPCC members attending the Second Session of the Seventh CPPCC National Committee to work out a plan for national unity and progress.

In his speech, Ngapoi Ngawang Jigme, vice chairman of the NPC Standing Committee and chairman of the NPC Nationalities Committee, pointed out: Right now, we must also improve the economic environment and rectify economic order in national minority areas the same way as elsewhere in China. However, we must not treat rigidly all the areas in the same way. We must adopt a realistic approach and allow ethnic minority-inhabited areas to implement some special policies and flexible measures on the basis of the local condition and to work out laws and special regulations according to the political, economic, and cultural features of the local minority people. Efforts must also be made to promote the development of productivity and the establishment of a vigorous new economic system there. Laws on the autonomy of ethnic minority-inhabited regions should be fully enforced to ensure sound economic and cultural development in these areas.

He said: The order issued by the State Council to enforce martial law in Lhasa has won the support of the people of all nationalities throughout the country including the Tibetan people. The plot by a few separatists to split the motherland will never succeed. Any separatist activity carried out by any foreign force to support Tibetan independence is a wanton interference in China's internal affairs. It is not permitted.

**Policy Toward Indonesia, MPR Praised**

OW2703073589 Beijing XINHUA in English  
0306 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—A top Chinese legislator today welcomed the recent developments in China's relations with Indonesia and Mongolia.

Ex-diplomat He Ying, now Standing Committee member of the National People's Congress (NPC), told XINHUA that he is "very happy" to see China and Indonesia to have started the process of normalizing their relations.

China and Indonesia have a similar past experience, share common language on many international issues and face the same task of building up their national economies, said He Ying, who was China's envoy to Indonesia in the 1950s.

Normalization of friendly relations between the two countries will help safeguarding peace in Southeast Asia and the rest of Asia in general, he said in an interview with XINHUA.

He Ying, a deputy attending NPC's current session, expressed equal happiness at China's developing relations with Mongolia, where he served as an envoy also in the 1950s.

China's improved relations with the Soviet Union, India and Eastern European countries, and its further developed ties with the United States, Japan, Western Europe and the great number of Third World nations, are promoting the country's modernizations and peaceful reunification, He Ying said.

These achievements have further enhanced China's position and prestige on the international arena, said He Ying, who has visited nearly 100 countries across the world.

China is in the midst of "a most vigorous and powerful" period in its foreign affairs work, said He Ying, describing the Chinese Government's accomplishments in this regard as "obvious to all."

He went on to define China's current foreign policy as "very appropriate," which proceeds in line with the realities in the world and conforms with the fundamental interests of the Chinese people.



To support his point, He Ying cited the applause from NPC deputies to Premier Li Peng last Monday [20 March], when Li spoke of China's foreign policy in his government work report to the NPC Session.

"It's correct and very necessary for China to take safeguarding world peace and promoting common development as a goal of its foreign policy," said He Ying, who was a vice-foreign minister in the 1970s.

As a developing country, he said, China needs a lasting peaceful international environment to supplement domestic political stability.

He Ying firmly endorsed the government's stand in "absolutely not tolerating any interference of foreign forces in China's internal affairs on any excuses or in any form."

"Those seeking to play a self-assigned role of international police have seriously hurt the feelings of the Chinese people," he said.

Joining He Ying, Ma Man-kei, another NPC Standing Committee member, said "A handful of people abroad are attempting to find faults with us; this is intolerable."

"No foreign forces can do us any harm so long as we Chinese, including those in Hong Kong, Macao, Taiwan and Overseas Chinese, remain united," he added.

#### **Wang Mingda Discusses Education**

OW2803105789 Beijing XINHUA Domestic Service  
in Chinese 1316 GMT 24 Mar 89

[By reporters Xu Dingshan and Zheng Zhanguo; "Local Broadcast News Service"]

[Text] Beijing, 24 Mar (XINHUA)—Speaking at a panel discussion of the Shaanxi NPC delegation yesterday, Wang Mingda, vice minister in charge of the State Education Commission, briefed the panelists on certain tentative ideas of the commission. These ideas pertain to dealing with problems in education areas, such as teachers' unduly low pay and unsafe school buildings.

On teachers' pay, Wang Mingda said: According to figures provided by the state's statistics departments, teachers' average salary grew 1.44 times from 1978 to 1987, increasing from 580 yuan to 1,453 yuan per year, or from the lowest to the third lowest in all economic departments. To change this situation, the state will gradually establish a new wage system on the basis of its financial resources. Under this system, the average wage of education departments workers will be higher than the average wage of workers for state enterprises or institutions. Meanwhile, the state will also restructure the management of educational wages. Under the state's

macroscopic control, local governments will be authorized to increase other benefits for teachers on the basis of the wage scale set by the state and schools will have the authority to increase teachers' pay and reward them.

Wang Mingda also discussed teachers' housing problems. He said the state will do all it can to increase the budgets for housing construction. He added that the State Education Commission has been consulting with other relevant departments on giving schools preferential treatment concerning their housing construction.

Commenting on fundamental education, Wang Mingda urged all educational authorities to pay special attention to the work in the following four areas: First, they should dismantle all seriously unsafe buildings; second, they should control the dropout rates of middle and primary schools, making sure that they fall below the normal level; third, they should firmly stop all unauthorized levies from schools; and fourth, they should provide middle and primary school students with moral and ideological education and consider this an essential requirement.

#### **Better Minority Education Requested**

OW2803100989 Beijing XINHUA in English  
0928 GMT 28 Mar 89

[Text] Beijing, March 28 (XINHUA)—An ethnic minority lawmaker called for better educational conditions for China's 66 million ethnic minority people here today at the annual session of China's congress.

Yuan Yihe, a Daur (Tahur) deputy to the Seventh National People's Congress (NPC) now in session here, said education is still quite backward in areas inhabited by ethnic minorities, especially in non-autonomous regions.

An associate professor from the country's northernmost Heilongjiang Province, Yuan called for the establishment of a nationalities institute in northeast China.

Currently there are three nationalities institutes in China, one in Beijing, one in southwest China and the other in northwest China.

"There is an ethnic minority population of more than 10 million in northeast China, yet we still don't have a nationalities institute," he said.

China has 55 minority nationalities, whose population makes up six percent of the country's total. They populate areas that cover 60 percent of the country's territory.

Yuan suggested that the government increase stipends and lower entrance requirements for ethnic minority students so as to increase the schooling rate in ethnic minority areas.

The government should encourage and help schools for ethnic minority students to use ethnic languages in teaching, he said.

**Wang Hanbin on Hong Kong Basic Law**  
*HK2503073389 Hong Kong SOUTH CHINA*  
*MORNING POST in English 25 Mar 89 p 4*

[Text] Articles concerning the political system of the future Hong Kong Special Administrative Region in the draft Basic Law needed to be revised, a top Chinese legislator said in Beijing yesterday.

The vice-chairman of the Standing Committee of the National People's Congress (NPC), Mr Wang Hanbin, said further consultation was needed.

He made the remark after hearing the opinions of NPC deputies from Hong Kong in a group discussion.

Mr Wang, who is the vice-chairman of the Hong Kong Basic Law Drafting Committee, said it was unprecedented in China's history to codify the idea of "one country, two systems" in legal and political terms.

Deputy Liao Yiaozhu said drafters of the law should consider not only whether it was in accord with China's policy on Hong Kong, but also Hong Kong people's desires.

Deputy Ng Hong-man suggested enlarging the scope of consultation among Hong Kong people, adding that at the same time, people on the mainland should be consulted.

Deputy S.Y. Zee said mainland members of the drafting committee who had not been to Hong Kong should go there to listen directly to residents' views concerning the draft Basic Law.

The director of Hong Kong and Macao Affairs Office under the State Council, Ji Pengfei, took part in the group discussion.

Mr Ji, who is drafting committee chairman, said the opinions of deputies from Hong Kong were helpful to the revision of the draft law.

His assistant, Mr Li Hou, said that mainland members of the committee would go to Hong Kong in groups to listen to the opinions of Hong Kong residents in April.

The groups will be headed by Mr Wang, Mr Fei Xiaotong, Mr Lei Jieqiong and Mr Hu Sheng.

**Huang Yicheng Discusses Nuclear Energy**  
*OW2803073889 Beijing XINHUA in English*  
*1433 GMT 27 Mar 89*

[Text] Beijing, March 27 (XINHUA)—Construction of more nuclear power plants is the only way out for an energy-hungry China, Minister of Energy Huang Yicheng said here today.

Huang made the remark at a group discussion by deputies to the Seventh National People's Congress (NPC) now in session here.

Much of China's power supply comes from thermal power plants, but increase of coal production has its limits and the country's overstrained transport system cannot guarantee shipment of enough coal for increasing numbers of thermal power plants, the minister said.

"Prospects for developing nuclear-generated electricity are bright so long as we construct numerous nuclear power plants simultaneously to reduce their construction cost to within 150 percent of that for thermal power plants," he said.

Two nuclear plants are being built in China. One is in Daya Bay, Guangdong Province, with a generating capacity of 900,000 kw; and the other is located in Qingshan of Zhejiang Province with a generating capacity of 600,000 kw.

The Soviet Union, he said, has expressed willingness to sell nuclear plant equipment to China.

China has asked Sweden to do feasibility studies on building a maximum-safety nuclear reactor of 600,000 kw in the country.

Asked how to dispose of nuclear wastes, the minister said that they can be treated and buried in the heart of China's vast uninhabited deserts.

**Tian Jiyun Joins Guangxi Discussions**  
*OW2803084089 Beijing XINHUA Domestic Service*  
*in Chinese 1443 GMT 27 Mar 89*

["Local Broadcast News Service"]

[Text] Beijing, 27 Mar (XINHUA)—Vice Premier Tian Jiyun joined the discussions of the Guangxi delegation to the Second Session of the Seventh NPC today. He said: Improving the economic environment and rectifying economic order should be integrated with the readjustment of production policy and structure, which means there should be both emphases and denials.

He maintained that market links must be strengthened because the links are very weak, but are of vital importance to the national economy and the people's livelihood. These links can increase market supplies and

stabilize the market. Improving the economic environment and rectifying economic order does not mean a wholesale cutback would include projects that should be strengthened. Specifically agriculture; raw and processed materials industries; and the work to help the old revolutionary bases, frontier regions, and impoverished areas should be strengthened.

Touching on the problem of grain, Tian Jiyun said that Guangxi region has done the right thing by including the grain problem in its agenda of important matters. Things that can be done include gradually raising the grain self-sufficiency rate and cutting down on grain imports to save money for construction projects.

Addressing the question of how to increase grain output, he pointed out: Guangxi and Guizhou are both mountainous regions. They have few hillside and paddy fields. They have more medium-size and small water conservancy facilities than large ones. Many of these facilities need repair or are damaged, which caused the irrigated areas to dwindle recently. Therefore, the best way for these localities to increase grain output is to improve medium- and low-yield fields and increase investments, including scientific and technological investments in farmland capital construction projects. He endorsed Guangxi's efforts to gradually rebuild its sloping fields that are less than 25 degrees-tilt into terraced fields.

Tian Jiyun also agreed that in Guangxi, sugar is the main product and could possibly serve as an impetus to Guangxi's entire agricultural production and even to its industry development.

**Zhu Rongji on Government Administration**  
*OW2803092989 Beijing XINHUA Domestic Service*  
*in Chinese 1321 GMT 26 Mar 89*

[By reporters Wu Shishen and Li Zhiyong; "Local Broadcast News Service"]

[Text] Beijing, 26 Mar (XINHUA)—Since calling for giving new life to Shanghai at an NPC meeting a year ago, Zhu Rongji assumed the post of mayor of Shanghai and has experienced all kinds of joys and sorrows. At a group discussion of the Second Session of the Seventh NPC, he talked about his feelings: Government administration must be strict.

These reporters took down Zhu Rongji's account:

The most important conclusion I have drawn from being the mayor of Shanghai is: Unify thinking and carry out government administration strictly. We cannot accomplish anything if we treat all people gently, spend time seeking pleasure, and are not willing to offend other people.

For example when Shanghai began to address the city's problem of a disorderly taxi business, it met difficulties in revoking the licenses of four taxi drivers who used to

wantonly charge passengers. How could these things go on? I asked the responsible persons from the three departments concerned what the problems were, asked them to revoke the licenses of these four taxi drivers the next day, and announce the situation to the newspapers. I said anyone who was not willing to give in should talk it over with me. So far, more than 100 taxi licenses have been revoked and the practice of wantonly charging passengers has been checked to a certain extent.

The Shanghai Refrigerator Plant caught fire last summer. I decided to remove the plant manager from his post. My decision evoked much controversy. Some people said I overreacted. The fire exposed the plant's management problems, which led to the burning of the state's property worth a million yuan. I refused to yield. Now, workers of the plant are very safety-conscious. We cannot manage Shanghai properly if we do not stand firm.

Newspapers recently reported that a bus conductor beat up a pregnant woman. After I saw the news, I wrote a note saying "Black sheep. Fire him." But the public transportation department submitted a report to explain the incident and suggested that the conductor be suspended for 3 months as a penalty. The report also said: "It is for Mayor Zhu to decide." Many things happen like this. There are always people who try to plead for others and are not willing to offend others.

Nowadays, we usually complain that the general atmosphere is not good. Actually, the general atmosphere is formed by many "small atmospheres." If everyone works to improve these small atmospheres, the general atmosphere will improve as a result. In our current effort to improve the economic environment and rectify economic order, we especially need to carry out strict government administration and back government orders with the law. We must be as good as our word and act in a down-to-earth manner. Otherwise, we cannot accomplish anything even with good policies.

**Failure To Enforce Laws 'Grave Problem'**  
*OW2803094289 Beijing XINHUA in English*  
*0833 GMT 28 Mar 89*

[Text] Beijing, March 28 (XINHUA)—Failure to enforce laws represents a "grave problem" that is hindering the build-up of China's legal system, said deputies to the National People's Congress (NPC), who come from judicial circles.

Some court verdicts and rulings are just not executed, Zhang Huanwen, president of the Liaoning provincial higher court, said in a seminar sponsored by "LEGAL SYSTEM," a Beijing-based newspaper while the NPC is in session in the Chinese capital.

More than 4,100 cases ended up this way last year, accounting for 24.5 percent of the total cases handled in Liaoning.



In cases involving disputes over business, some bankrupt companies simply refuse to carry out court rulings, according to Li Peiyu, president of the Jiangsu provincial higher court.

A consensus at the seminar is that this is damaging the authority of the law, posing a hindrance to the smooth going of the nation's modernization and the establishment of a legal system.

Li Peiyu attributed the problem to some leading officials' interference in law enforcement by placing their will over the law. The deputy also pointed to "localism and departmentalism" seeking self interests at the expense of the law as reasons for an unwillingness to enforce law.

The NPC deputies from judicial circles call for a strengthened legal education throughout the nation so as to enhance people's legal awareness and, on a longer-term, gradually replace the "rule by man" with a "rule by law."

The deputies urge law enforcement officials to go about their business with principles, unflinching from offending authorities. They also call for overcoming nepotism, smoothing out obstacles for law enforcement.

**Taiwan Investment Special Zones Slated**  
*OW2503231889 Beijing XINHUA in English*  
1435 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—Special development zones for Taiwan investment and special consulting services will be set up on China's mainland, said Ding Guangen, director of Taiwan Affairs Office of the State Council, here today.

Addressing Taiwan deputies in a group meeting of the current session of the Seventh National People's Congress, Ding said that more work will be done this year to promote the trade and scientific, technological, cultural and sport exchanges between the mainland and Taiwan.

He said that more Taiwan compatriots will be received by the mainland in 1989.

"We will formulate regulations for enhancing the exchanges in science, technology, culture, academics and sports between the mainland and Taiwan," he said.

Lu Yizhong, a NPC deputy, suggested that preferential treatment should be offered to those enterprises solely funded by Taiwan businessmen.

**Defense Industry Grows Rapidly**  
*OW2503231589 Beijing XINHUA in English*  
1431 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—China's defense industry and defense-oriented scientific and technological development have scored remarkable progress in the past few years, according to a deputy to the National People's Congress (NPC) now in session in the Chinese capital.

Shen Rongjun, vice commissioner of science, technology and industry for national defense and an NPC deputy attending the current NPC session, said that China's defence industry completed 29 major research programs last year.

At a group discussion by NPC deputies, Shen said that the industry has successfully completed more than 1,700 research projects set for the Seventh Five-Year Plan period (1986-1990), of which, 620 have been or will be applied in weapons research and development, with some reaching world advanced levels technically.

Last year was a fruitful year for China's defence industry and defence-oriented technological development, said Shen, who also is a general.

Major feats last year include the successful launching of two geo-synchronous communications satellites, a sun-synchronous meteorological satellite and a satellite that was retrieved, the launching of a missile from a nuclear-powered submarine and the launching of some tactical missiles, he said.

The defense industry overfulfilled its 1988 production plan and readjusted its product mix, he said.

Defense-oriented scientific and technological development is shifting toward civilian industries and the output value of the defence industry's civilian products now accounts for 60 percent of the industry's total, he said.

**Criticisms, Suggestions Voiced**  
*OW2703134089 Beijing XINHUA in English*  
1242 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—Deputies to the Seventh National People's Congress (NPC) continue to voice criticisms and raise suggestions over Premier Li Peng's report on government work delivered last week at the current NPC session.

Sun Qi, a deputy from Liaoning Province, said that, in his opinion, natural calamities have not been a major factor for the stagnation of China's agricultural sector. There is something wrong with China's agricultural policy, he said.

Many farmers have lost interest in farming and shifted to other profitable businesses; and rising prices for farming-oriented materials and products have directly hampered agricultural growth, he said.

Sun questioned the wisdom of launching an annual "massive inspection" of prices and tax payment.

"There should be specific rules and effective measures with which price-control and tax departments can effectively play their functions. Annual inspections conducted always at year's end tend to leave loopholes for profiteers and tax evaders," he said.

Wang Quan, a deputy from Hebei Province, said that some faulty policies have resulted from a lack of knowledge about tendencies and problems in grassroots units. He calls for more investigations by leading officials.

Zheng Qinghe, a deputy from Jiangxi Province, said that disparities in the distribution of wealth constitute a major threat to the morale of workers and employees.

He called for tightening supervision over businesses set up by self-employed people and taking measures to keep the pay of employees of state-owned institutions and enterprises from dropping.

Li Gui, a deputy from Inner Mongolia Autonomous Region, said that the central government should adopt effective measures to promote economic development in areas inhabited by ethnic minorities.

He called for increasing investment in such areas and formulating preferential policies toward cultural and economic development there.

"I don't agree to an austerity policy applying indiscriminately to the entire country," he said. "In fact, economic development has never been too hot in ethnic minority areas."

Yi Meihou, a deputy from Guangdong Province, expressed displeasure at the fact that little is mentioned in Li Peng's report about contributions made by Overseas Chinese to the country.

He suggested that a donation law be formulated.

**Nation Must 'Combat Extravagance, Waste'**  
OW2703085589 Beijing Domestic Service  
in Mandarin 2230 GMT 24 Mar 89

[Station reporter's news roundup: "Recommend Belt-Tightening for the Next Several Years"]

[Text] In his government work report, Premier Li Peng proposed that both the government and people should be mentally prepared to lead an austere life-style for the next several years during the period to improve the economic environment and rectify economic order.

Government at all levels and the various departments must take the lead in thrifty practices, be work hard, and resolutely combat extravagance and waste.

While deliberating and discussing the government work report, both the NPC deputies and CPPCC members, currently attending the meetings in Beijing, have expressed their total support to this proposal.

Professor Liu Shibai, economist and NPC deputy from Sichuan, said: It is necessary to stress arduous struggle and lead an austere life-style for the next several years in improving the economic environment and rectifying economic order. Hardwork, thrift, and arduous struggle are the invaluable virtues of the Chinese people. These virtues must be inherited and carried forward so that all the people will have high morale and exert themselves.

Many NPC deputies and CPPCC members have expressed their indignation over the extravagant style practiced by some departments and leading cadres. They said: Governments at all levels and the various departments must take the lead in practicing thrift and leading an austere life-style for the next several years. However, it is important that cadres and party members also take the lead in these practices. Some departments, units, and leading cadres are currently going for ostentation and extravagance. They vie with one another to show off wealth and squander government funds and people's hard-earned money. If this tendency is left unchecked, how can the nation be revitalized?

On the question of how to lead an austere life-style for the next several years, Li Yining, NPC deputy from Hunan and professor of Beijing University, said: Stressing an austere life-style does not necessarily mean lowering the people's living standard. Instead, it reminds everyone to not set their goals too high when improving their living standards. This means that housing shortages cannot be quickly solved, ration coupons shall still be with us for a while to come, and that wage increases will be slow in coming, etc. In short, all the people should be mentally prepared for a long arduous struggle and must save money by all possible means. This money will be spent on agriculture, education in science and technology, and construction of energy and communications projects to expand the nation's economic strength.

Why is it necessary to recommend austere living in the next several years? It is because China is relatively poor in natural resources and backward in productivity and economic development. The NPC deputies and CPPCC members have supplied these facts and figures: China has only 7 percent of the world's arable land, but it has to feed 21 percent of the total world population. China's per capita grain consumption is only 350 kg while the world average is 600 kg. Although China ranks among the world's highest in coal, steel, and cement production, its per capita consumption of these products ranks far behind many other nations. China is low in industrial and agricultural output and economic efficiency and the



total energy consumption for producing US\$100 million's worth of products in China is 6.1 times that of Japan and 2.1 times that of the United States. All this shows that for China to catch up with the developed nations, a long period of arduous struggle shall be needed.

These basic national conditions dictate that the scale of our capital construction projects and institutional and individual consumption adapt to national conditions. If we fail in this, we are bound to suffer the consequences. The current inflation is only one of these consequences.

While deliberating the government work report, Li Ruihuan, NPC deputy from Tianjin, said: One of the important mistakes we have made is that we lack sufficient down-to-earth understanding of our basic national conditions, i.e. a nation with a huge population and limited natural resources. Oftentimes we have thrown all caution to the wind when intoxicated by temporary success. This is a lesson we must firmly bear in mind. History has taught us time and again that success is often the result of hard work and thrift and failure is often the result of extravagance. The current task to improve the economic environment and rectify the economic order is in fact another major readjustment of the national economy. It calls on all the people to pay the price.

(Wei Minglun), a member of the CPPCC, went straight to the point when he said: In history, all countries had to pass through a belt-tightening stage in their struggle to become powerful. At this time of reform, the sacrifices called for should be a shared responsibility of the nation's people.

#### Li Yining Cited on Living Standards

OW2803003289 Beijing XINHUA Domestic Service  
in Chinese 1521 GMT 23 Mar 89

["Local Broadcast News Service"]

[Text] Beijing, 23 Mar (XINHUA)—At the 22 March group discussion of the Hunan delegation, which is attending the Second Session of the Seventh NPC, Deputy Li Yining, a noted economist, talked about the remark currently widespread in society: "He scolds his wife after eating the meat." He said: "There are several reasons for the emergence of this remark. First, man is not satisfied eating meat alone. Man's desires are numerous. For example, he complains about the housing problem. He complains about the difficulty of buying train tickets. He also complains about the bad social order.... Second, when two people are eating meat, one will look at his own plate first and then look to see how much meat another person has. He will complain about unfair income distribution if he finds out the meat on his plate is less than that on the other person's plate and he works no less than the other person. Third, suppose 10 years ago someone had no meat on his plate, but 2 years ago he had three pieces of meat on his plate. Now, there are only two pieces of meat on his plate because of rising prices.

He will not compare with what he had 10 years ago, but he will compare with what he had 2 years ago, and when he does, he will vent his criticism. So, you see, the problem characterized by the remark 'he scolds his wife after eating the meat' is more complicated than expected."

He continued to analyze the remark by saying: "We should not blame the masses. What is important is that we should make the masses understand the difficulties encountered in the course of reform and encourage them to increase production. The government should efficiently carry out its work in various spheres and start solving the problem of unfair income distribution. Premier Li Peng has proposed that all should prepare for a few years of austere life. I understand his proposal. This does not mean that the living standards of the people will drop; rather, it is aimed at lowering the people's expectations that reform will immediately improve their life considerably. To think this way is unrealistic. There is no need to make promises in the course of reform. Improvement of living standards will certainly follow on the heels of increased production."

Many deputies agreed with Professor Li.

#### Economist Li on Inflation

OW2703080489 Beijing XINHUA Domestic Service  
in Chinese 1349 GMT 25 Mar 89

["Local Broadcast News Service"]

[Text] Beijing, 25 Mar (XINHUA)—NPC deputy and well-known economist Li Yining held that on the issue of deflation, we must not mechanically copy the West. Inflation is not caused by our reform program. It is caused by our failure to thoroughly carry out reform. We must not underestimate our difficulties in improving the economic environment and rectifying economic order.

Deputy Li Yining said: There is definitely something behind the inflation, overheated economy, and excessive demands for investment and consumption. All of this is caused by a problem in our system. Excessive demands are a phenomenon, while the key is the lack of a mechanism to keep self-interests within bounds in China's economy. Right now, enterprises are faced with rising production costs. This is due to clogged circulation channels and "bureaucratic racketeers." Rising production costs and the poor coordination in the industrial setup results in price increases. All of this has to do with the system.

Li Yining pointed out: I think that we should not mechanically copy everything from the West on the issue of deflation. When the West tries to tighten its credit, the financial situation will improve as soon as a group of private enterprises announce bankruptcy. However, all our enterprises are run by our government. When our

enterprises declare bankruptcy, the state would suffer because of its increasing financial burden. Therefore, excessive deflation efforts could cause financial stagnancy in our country.

#### Economic Problems Assessed

OW2803003489 Beijing Domestic Service in Mandarin  
2230 GMT 23 Mar 89

[From the "News and Press Review" program]

[Text] On 23 March when examining and discussing the government work report, Jiang Chunyun, an NPC deputy from Shandong and secretary of the Shandong Provincial Party Committee, expressed his views on how to assess the current situation in our country.

Jiang Chunyun said: The public is now profusely talking about the current situation without reaching a unified understanding. Two erroneous tendencies are starting to appear: blind optimism and passive pessimism. People with blind optimism lack sufficient understanding of the seriousness of the existing problems and, therefore, are not conscious of the need to improve the economic environment and rectify the economic order. Those with passive pessimism take the current difficulties too seriously. Accordingly, they have doubts and waver in reform and opening up.

As to how to properly assess the current situation, Jiang Chunyun said the situation should be assessed by the criterion of productive forces, from the viewpoint of reform and opening up, and with the method of dialectical materialism.

Jiang Chunyun said that the level of development of productive forces determines the prosperity or failure of a country and the affluence or poverty of its people. He said: The past decade of reform and opening up has been a period in which China's productive forces have shown the fastest development. The enormous achievements made by our country in those 10 years have been fully affirmed in Premier Li Peng's government work report. This was also the case in Shandong. Over the past 10 years, Shandong's agricultural output value increased by 1.14 times, industrial output value climbed by 2.85 times, the average per capita income of urban residents used for living expenses went up by 2.75 times, and the peasants' average per capita net income rose by 4.58 times, calculated in terms of 1980 prices and corrected for inflation.

He said that to assess the current situation from the viewpoint of reform and opening up is to see not only quantitative economic growth, but also qualitative changes, especially the major changes in the economic system and structure.

To assess the current situation by the dialectical method, Jiang Chunyun said, is to divide it into two and clearly distinguish essential from nonessential aspects. He said:

Like other parts of the country, Shandong has the problems of overheated economy, inflation, and chaos in commodity circulation. However, these are problems arising in the course of advance and development. Compared to our achievements, the development of our productive forces, and the material benefits of our people, the above problems can be considered minor and nonessential. As long as we firmly strive to achieve the objectives and meet the demands set forth in the government work report and unswervingly proceed with improving the economic environment and rectifying the economic order, the unfavorable factors will be gradually eliminated, and the situation will quickly change.

#### 'Revamping,' Open Policy Viewed

OW2803073689 Beijing XINHUA in English  
1513 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—Deputies to the 7th National People's Congress (NPC) stressed today that economic revamping should not affect implementation of the open policy in the least.

"The principle should be for economic revamping and opening to the outside world complement each other," said Liang Shuwei, a deputy from Shandong Province, at a group discussion on Premier Li Peng's report on government work.

"Economic revamping will help improve the investment environment, while economic and technological cooperation with the outside world will help the smooth going of the economic revamping," he said.

Shandong has made rapid progress in foreign trade and the absorption of overseas funds thanks to the open policy, according to Liang, who is chairman of the Shandong provincial economic commission.

The province exported 2.98 billion U.S. dollars worth of goods last year, overfulfilling the state plan by 19.7 percent, he said.

Also last year, the province signed 202 contracts with foreign firms on direct investment, involving a contractual overseas-sourced sum of 260 million U.S. dollars, both phenomenal increases over the previous year.

Liang called for further improving investment conditions in open areas and formulating policies for them that last.

Deputy Yu Zhengshen, who is mayor of Yantai, said that open coastal cities should concentrate on removing chaos, such as a proliferation of fake products, speculation and the soliciting of sales commissions.

**Capital City, Energy Issues Viewed**

HK2603032889 Hong Kong SUNDAY STANDARD  
in English 26 Mar 89 p 4

[By Wu Zhong]

[Text] China's capital city may not have to be shifted from Beijing just yet, but some ministries must move soon due to the water shortage, National People's Congress Chairman Wang Li told Beijing deputies.

The group discussion also tackled energy problems in the city. Minister of Energy Resources Huang Yicheng was summoned to answer questions.

Mayor Chen Xidong of Beijing complained of frequent power cuts often happening in the city. Except for Zhongnanhai, where the party Central Committee and the State Council locate, all districts, even including the home of Marshal Nie Rongzhen, had suffered power failures, said Mr Chen.

He pleaded, on behalf of the Beijing people, that the minister should guarantee power supply.

Mr Huang admitted the problem but complained that supply could not match the rapidly expanding demand.

Mr Wang Li also asked why the problem of power failure in the capital could not be solved. People in the city were using abusive language, he said, and they were right, without abuse the problem might not be solved.

On the question of whether Beijing should continue to be the capital of the [country] even if China did not need to find another place as its capital, some central institutions would have to move out of Beijing in the kind of decentralization of bureaucracy seen in other overcrowded capitals.

Water quality and shortage of supply in Beijing have been a serious problem in recent years. But the population has been growing, only to increase the problem.

There are about 400,000 people working in the party and central government bodies. The group plus their families, accounts for one sixth of the population of Beijing.

A few years ago, some intellectuals suggested to change the capital so as to solve these problems and save Beijing as a cultural city. Mr Wang Li was interested in the idea at that time.

**Peasants' Problems Noted**

OW2803029489 Beijing XINHUA Domestic Service  
in Chinese 1432 GMT 25 Mar 89

["Local Broadcast News Service"]

[Text] Beijing, 25 Mar (XINHUA)—At the Second Session of the Seventh NPC, some deputies from grass-root units have enthusiastically made speeches, offered suggestions, and made pointed remarks on existing malaises. They have spoken out for the people at the grass roots.

A veteran deputy, who has attended previous NPC sessions, remarked: It is really unexpected to see deputies from the grass roots having such a high sense of participating in government affairs and having improved their ability and quality so fast. This has been an outstanding feature of the Second Session of the Seventh NPC since its opening.

Many rural NPC deputies have strongly urged that agriculture be truly heated up although the overall trend is to cool down the "overheated economy." Deputy Li Luobin, head of the agrotechnology station of Quantangzi Township in Xiangtan County, said: There are many potential crises in agriculture. One is that some leading cadres do not care about agriculture, and new cadres do not understand or pay attention to agriculture. Another is that the "three reliances" of agriculture have not been realized. The price difference between industrial and agricultural products is widening, grain cannot be readily shipped in or out, and feudal separationist rule is being practiced. This year agricultural investment has increased by 12.7 percent, which is not enough to offset price increases of the means of agricultural production.

Some deputies have severely criticized the practice of signing IOU slips for peasants when procuring farm and sideline products from the peasants. Deputy Su He, head of the Morin Dawa Daur Autonomous Banner, said: Credit and loans are now very tight, and peasants have many IOU slips in their hands, making it very difficult for them to start farm work. Agricultural production is directly affected. Deputies of grass-roots cadres in Shandong have noted the need to foster good relations with the peasants and protect their enthusiasm. They said that the problem in recent years is not that peasants are unwilling to till their land but that our leading cadres are not familiar with the peasants' situation and have serious bureaucratic tendencies. The peasants' enthusiasm has been dampened because they are asked to "make contributions by selling their grain at state fixed prices despite high prices for chemical fertilizer and electricity" and because they are required to pay all kinds of exorbitant fees.

**Protection of Peasants' Interests Urged**

OW2703080189 Beijing XINHUA Domestic Service  
in Chinese 1244 GMT 25 Mar 89

[By reporter Cao Shaoping; "Local Broadcast News Service"]

[Text] Beijing, 24 Mar (XINHUA)—Today, some NPC deputies pointed out that it is necessary to pay great



attention to protecting the results of rural reform, attach importance to peasants' legitimate rights and interests, and create a stable social and economic environment for rural economic development in the course of improving the economic environment and rectifying economic order.

Some deputies attending the Second Session of the Seventh NPC were invited to a discussion meeting held by the Rural Policy Research Center of the CPC Central Committee this morning. They expressed their views on some new circumstances and problems in rural areas and put forward relevant suggestions.

Huang Huang, NPC deputy from Jiangxi, held that it is necessary to attach importance to and protect the results of rural reform and protect peasants' interests in the course of implementing the principle of improving the economic environment and rectifying economic order in rural areas. Meng Fulin, NPC deputy from Anhui, said: We should handle the relationship between the efforts to improve economic environment and rectify economic order and the efforts to stabilize the social and economic environment in rural areas well. We should not let peasants think our policies will change soon. Considering Anhui's reality, we emphasize the stability of the output-related system of contracted responsibilities, the system of responsibility in forestry and fishery production, and the policies concerning town and village enterprises, special households, and private economy.

Some deputies suggested that the same treatment should be given to state-owned enterprises, town and village enterprises, and private enterprises in the course of improving the economic environment and rectifying economic order. Cheng Liangyu, NPC deputy from Jilin, said: The austerity policy should be equally applied to all organizations regardless of their "status" and ownership. We should uphold the "efficiency criterion," support all enterprises that conform to our industrial policies, and show high economic efficiency.

Rural public order was an issue that almost all the meeting's deputies were concerned about. Wang Chaowen, NPC deputy from Guizhou, said: Theft and robbery are rampant in some rural areas. Cattle and horses are stolen, mountain forests are destroyed, and the peasants lack a sense of security and bear a great deal of resentment. Meng Fulin and Huang Huang shared his view and held that poor public order in rural areas poses a direct threat to the results of rural reform.

Wang Tingdong, NPC deputy from Shanxi, said: It is necessary to consider the realities of these areas and make sure that the people's thinking is considered when adopting policies and measures to improve the economic environment and rectify economic order in rural areas. A recent survey conducted among peasants by Shanxi Province shows that 97 percent of the peasants support

the all-around contract system, 45.5 percent of them support the idea of letting some people to become well-off first, and 78.2 percent of them demand a long and stable land contract.

Du Runsheng, director of the Central Rural Policy Research Center, presided over today's meeting. He emphasized: Efforts to improve the economic environment and rectify economic order should not be disconnected from rural reform objectives and we should pay attention to protecting the results of rural reform. Efforts to improve the economic environment and rectify economic order are designed to establish a new order, not to restore the old order. If they are disconnected from the rural reform objectives, it will be difficult for us to attain the objective of establishing a new order of socialist commodity economy.

#### Beijing Farmers Follow Proceedings

OW2803071889 Beijing XINHUA in English  
1107 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—Beijing suburban farmers have been closely following developments at the Second Session of the Seventh NPC on television and in the press.

They were especially interested in the agricultural policy disclosed last week in Premier Li Peng's report on government work.

Wang Yujun, deputy director of Cuicun Township in Changping County, north of Beijing, said that farmers have benefited from the economic reforms initiated ten years ago and that for them life has been getting better.

He said, however, that some serious problems have arisen in agriculture in the past few years. Farmers hope that the government will invest more in agriculture and curb the price hike in such production materials as fertilizers and pesticides.

Wu Guiseng, of Guoxian Township in Tongxian County, east of Beijing, said the effect of separating the government function from that of the party at the grassroots had not been as expected, although satisfactory at a higher level.

"Party branch officials and village heads," he said, "more often than not bickered over trifles instead of caring about agriculture production." He hoped that the meeting would keep an eye on the matter.

Many farmers complained about what they termed the prevailing neglect of agriculture. One farmer, from Tongxian County, said some officials care little about agriculture although they pretend to.

He cited as an example the fact that chemical fertilizers and pesticides are still not available, although spring farming is imminent.

An official from Huairou County said farmers have many complaints about bureaucrats and profiteers, and the government should take steps to solve the practical problems the farmers face.

Some village school teachers said they wish the NPC would draft regulations on supporting education in the countryside, as village schools have more serious problems than their counterparts in the cities.

### Public Opinion Solicitation Urged

OW2503100489 Beijing XINHUA in English  
0831 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—Deputies from Zhejiang Province to the National People's Congress (NPC) now in session here call on the central government to make major policy decisions "as scientifically as possible."

To ensure the stability of major policies, the central government should make investigations and feasibility studies before making major policy decisions, said Deputy Chen Guoqiang in a group discussion of Premier Li Peng's report on government work.

Once a long-term major policy has been formulated and is being implemented, the central government should not change it from time to time, because that will create confusion at the grassroots level, Chen said.

To ensure that government policies be strictly implemented, Chen suggested meting out severe punishment to violators.

Zhang Zhenqi, another deputy, said the government should solicit opinions from ordinary people before deciding on price increases.

"Ordinary people should have a say in deciding what types of goods should be allowed to be sold at market prices and what not," he said.

### Leaders Act on Deputies' Suggestions

HK2703014289 Beijing CHINA DAILY in English  
27 Mar 89 p 1

[By staff reporters Zhang Yuan and Chang Hong]

[Text] Deputies' call for action to deal with a sharp fall in output in basic industry in Liaoning Province and Premier Li Peng's prompt response were among the highlights of panel discussions at the National People's Congress over the weekend.

In their discussions, deputies directed attention to problems in their localities, aired their opinions about economic policy and commented on Li's report on the work of the government.

After hearing from Liaoning Governor Li Changchun, who is also an NPC deputy, about the industrial situation in the province, the Premier immediately instructed that a special group be formed to supervise electricity generation and the transport of coal to the northeastern China where the province lies.

The governor said during a panel discussion of Liaoning deputies that so far this year a 30 percent drop in the total industrial output had been reported and the province's enterprises are running at 75 percent of capacity due to energy shortages.

According to Ye Qing, vice-minister of the State Planning Commission, who accompanied the premier, the central government plans to draw up a list of key enterprises which will be guaranteed supplies of raw materials and energy.

The premier said the government does not want to see a further weakening of the already ailing energy, agriculture, communications and raw material sectors while bringing down the total economic growth rate.

At this and other meetings over the weekend, deputies urged the government to learn from past mistakes and to establish a scientific and democratic decision-making mechanism.

"The impatience for quick economic results has its roots in method of the decision-making, which lacks a scientific and democratic basis," said Wu Disheng, mayor of Shenyang City in Liaoning Province.

Wu Yaying, a school master from Zhejiang Province, contended that "it is extremely improper that the principle to stabilize the economy and prices that was put forward at last year's NPC meeting at the strong request of the majority of NPC deputies was replaced by a price reform proposed and decided by a few officials."

Cheng Guoqiang, a deputy from Zhejiang Province, said he hoped the government would give more consideration to the possible consequences of major policies and practise greater consistency.

Cheng, who is director of the provincial People's Bank, likened the government's policy changes last year to "four tunes for four seasons."

However, many deputies said they were impressed by the critical approach of Li's report on the government and said it reflected a leadership that is able to learn from experience.

Ye Gongqi, director of the Standing Committee of the Shanghai People's Congress said Li's report indicates a responsible and sober-minded government which had prescribed medicine according to the country's economic diseases.

"China needs to swallow the medicine right now," he said, adding that instead of taking a wait-and-see attitude the entire Chinese people should be of one mind and devote [themselves] to the construction."

#### Further Reportage on CPPCC Session, Closing

**Further on Li Xiannian's Closing Speech**  
OW2703225089 Beijing XINHUA Domestic Service  
in Chinese 1236 GMT 27 Mar 89

[By reporters Chi Maohua (3069 5399 5363) and Jing Yan (2529 1693); "Local Broadcast News Service"]

[Text] Beijing, 27 Mar (XINHUA)—The Second Session of the Seventh National CPPCC Committee closed at the Great Hall of the People this morning. Li Xiannian, chairman of the national CPPCC committee and the committee's other vice chairmen attended the session. Party and state leaders including Zhao Ziyang, Yang Shangkun, Li Peng, Wan Li, Qiao Shi, Hu Qili, Yao Yilin and Wang Zhen came to the session to congratulate the members for their successes.

In his speech, Li Xiannian said: It is the glorious tradition of the CPPCC to stand together through thick and thin; and work together with one heart and one mind for the prosperity of the nation and for the realization of the magnificent cause of socialism. We must give full play to this tradition either in times of smooth sailing or in times of difficulty. Right now, we must bring into full play this kind of spirit.

Li Xiannian said: The CPPCC has the responsibility to help the Chinese Communist Party and Government to do a good job in running state affairs. We should improve the multiparty cooperation system led by the Chinese Communist Party and the political consultative system through concerted efforts by the CPPCC, the CPC, democratic parties, social bodies and people of all nationalities. People of all nationalities should be united more closely to promote progress in all fields of socialist construction.

Li Xiannian stressed: To truly stand through thick and thin and work with one heart and one mind, we must bring democracy into full play, seek truth from facts, earnestly conduct political consultations, and sum up our experiences to reach unanimity in tackling major issues.

#### Leaders Attend Closing

OW2803085589

[Editorial report] Beijing Television Service in Mandarin at 1100 GMT on 27 March in its "National News Hookup" program broadcasts a 5.5-minute video report on the closing of the Second Session of the Seventh National CPPCC Committee at the Great Hall of the People the same day. The report starts with shots of CPPCC members taking up their seats in the Great Hall

of the People. The camera then pans right to show long shots of the rostrum while the announcer is heard saying: "Through the joint efforts of all the CPPCC members, the Second Session of the Seventh National CPPCC Committee closed at the Great Hall of the People this morning after completing all the scheduled items on the agenda."

Video shows Yang Shangkun, Zhao Ziyang, Wan Li, Wang Zhen, Li Peng, Li Xiannian, Lei Jieqiong, and Kang Keqing walking toward their seats on the rostrum. The announcer says: "The session was presided over by Wang Renzhong, vice chairman of the National CPPCC Committee." Video shows Wang Renzhong speaking and cuts to shots of the CPPCC members voting for new vice chairmen and Standing Committee members of the National CPPCC Committee, resolutions, and reports by a show of hands.

Video shows various shots of Ma Wenrui, Rong Yiren, Wang Guangying, Pagbalha Geleg Namgyai, Yang Jingren, Fang Yi, Li Xiannian, Yan Mingfu, Gu Mu, Kang Keqing, and other vice chairmen of the National CPPCC Committee seated from left to right on the front row on the rostrum. Zhang Jingfu, Yu Qiuli, Yang Dezhi, Wen Jiabao, Song Renqiong, Qin Jiwei, Li Ximing, Li Tieying, Wang Zhen, Hu Qili, Wan Li, Yang Shangkun, Zhao Ziyang, Li Peng, Qiao Shi, Yao Yilin, Tian Jiyun, Li Ruihuan, Wu Xueqian, Ding Guangen, and Rui Xingwen are seen seated from left to right on the second row. Video also shows Liu Huaqing, Zou Jiahua, Song Jian, Lei Jieqiong, Fei Xiaotong, Ni Zhifu, Ye Fei, Yan Jici, Seypidin Aizezi, Zhu Xuefan, Peng Chong, Ngapoi Ngawang Jigme, Zhou Gucheng, Rong Yiren, Liao Han-sheng, Chen Muhua, Sun Qimeng, Wang Hanbin, Wang Fang, and Li Guixian seated on the rostrum.

The camera shows a close-up of Li Xiannian, chairman of the National CPPCC Committee, delivering a speech from a prepared script. He says: "China is now at a critical moment as it is improving the economic environment, rectifying the economic disorder, and deepening the reform. We are faced with very arduous tasks. Under these circumstances, it is all the more necessary for the people of all nationalities throughout the country to work with one heart and one mind, unite as one, raise spirits, and exert ourselves." He adds: "The People's Consultative Conference has the obligation and responsibility to help the party and the government manage state affairs well." The video report ends with shots of participants in the meeting applauding Li Xiannian's speech.

#### Literary Figures Support Hu Yaobang

HK2803102889 Hong Kong MING PAO  
in Chinese 28 Mar 89 p 8

["Letter From Beijing" by Shih Ming (4258 2494): "Members of the Chinese People's Political Consultative Conference (CPPCC) Who Are From Literature and Art Circles Voice Grievances for Hu Yaobang and Liu Binyan"]

[Text] CPPCC members from literature and art circles complained strongly about the injustice done to Hu Yaobang, and hoped for his return to political leadership.



Beijing actress Du Jingfang said in a speech: "Hu Yaobang did not bring calamity to the country nor to the people. He was concerned about literature and art circles. That year on my return from a performance, I was astonished to hear that the CPC general secretary had stepped down. So far I do not understand why. As I see it, Hu's downfall suggests at least two mistakes by the CPC, one being too drastic and the other lacking all-sidedness."

Du Jinfang asked: "What mistake did Hu Yaobang actually commit? Was the purpose of forcing him down to create a laughing stock for the Jiang Qing clique or to voice grievances for it? What mistake did he make? How does the party organization educate him? What is his understanding? This has not been made clear to the public. No wonder I heard there was a poster in Beijing university that read: 'A group of monsters have replaced another group of monsters.' Therefore some people used that drastic change to prove this, didn't they?"

Du Jinfang said excitedly: "In my opinion, Hu Yaobang did not make a mistake, and his problem must be clarified."

Wei Minglun, who was elected CPPCC member last year and became famous for his creation of a Sichuan opera entitled "Pan Jinlian," also "fired a gun" at the CPPCC session. Wei Minglun called for the resumption of Liu Binyan's party membership. He said: Ten years ago Liu Binyan had already perceived some of the corrupt cases now found in society. Some party members do not like to hear the word "corruption"; some corrupt people do not let others mention their corruption; and some who do not engage in corruption still forbid others to oppose it. Although Liu Binyan has been expelled from the party, he still persists in his Marxist-Leninist beliefs and upholds Marxism-Leninism and justice. As the moral denegeration of the country is getting worse every day, and human desires are flowing crosswise, a man like Liu Binyan is needed. Therefore the sooner his party membership is returned the better.

Wei Minglun added: "I am a democrat without party affiliation, I have made this suggestion out of good intentions."

#### **Tibet Deputies on Foreign Interference**

HK2703012189 Lhasa Tibet Regional Service  
in Mandarin 1430 GMT 26 Mar 89

[Text] During panel discussions in recent days, the Tibet members attending the Second Session of the Seventh Chinese People's Political Consultative Conference have strongly denounced the U.S. Senate's and European Parliament's wanton interference in China's internal affairs.

Member (Humu) said: The riots that occurred in Lhasa were by no means a human rights issue or a nationality or religious issue. They were violent activities deliberately stirred up by a few separatists to split the motherland. The martial law measures taken by the Chinese Government are completely necessary. People are highly indignant that the U.S. Senate and the European Parliament have crudely interfered in China's internal affairs.

Member (Shi Lie) from Ngari Prefecture said: Tibet is an inseparable part of China. There has never been any doubt about this in history. It is also publicly acknowledged in the international community. The separatists do not win popular favor by agitating for an independent Tibet in collusion with certain foreign forces. Proof of this is the long burst of applause when Premier Li Peng announced in his report at the National People's Congress that we will certainly not allow any foreign forces to interfere in China's internal affairs.

#### **Yan Mingfu at Standing Committee Meeting**

OW2803021489 Beijing Domestic Service  
in Mandarin 1030 GMT 26 Mar 89

[Text] The Seventh CPPCC National Committee Standing Committee held its sixth meeting at the CPPCC auditorium this morning.

Chairman Li Xiannian attended the meeting which was chaired by Wang Renzhong.

The Standing Committee meeting coincided with the ongoing Second Session of the Seventh CPPCC National Committee.

Secretary General Zhou Shaozheng introduced the group discussions and consultations at the Second Session of the Seventh CPPCC National Committee. He said: Before the session began, many CPPCC members expressed the hope that it would lift spirits and bolster confidence. During the session, CPPCC members have actively participated in state affairs' discussions; the overall situation was deemed fine. The members focused their discussions on the question of improving the economic environment and rectifying the economic disorder; they also talked about achievements as well as inadequacies, aired their views and offered suggestions.

Yan Mingfu, vice chairman of the CPPCC National Committee, explained the list of candidates for additional vice chairmen and Standing Committee members as well as the election procedures. CPPCC members expressed their views on the candidates and the election procedures.

At the meeting, by a show of hands, the Standing Committee members voted for the adoption of a tentative list of candidates to fill the positions of vice chairmen and Standing Committee members of the Seventh CPPCC National Committee; a draft political resolution of the Second Session of the Seventh CPPCC National

Committee; a draft resolution on the Standing Committee work report; and a draft report on the examination of motions at the Second Session of the Seventh CPPCC National Committee.

The draft namelist of candidates as well as the draft resolutions and reports will be submitted to the on going Second Session of the Seventh CPPCC National Committee for deliberation and approval.

In their speeches at the meeting, some Standing Committee members denounced the U.S. Senate and the European Parliament for interfering in China's affairs on the question of Tibet.

Vice chairmen of the CPPCC National Committee Fang Yi, Gu Mu, Yang Jingren, Kang Keqing, Pagbalha Geleg Namgyai, Wang Guangying, Deng Zhaoxiang, Zhao Puchu, Qu Wu, Ma Renrui, Liu Jingji, Wang Enmao, Qian Xuesen, Qian Weichang, Hu Sheng, Sun Xiaocun, Cheng Siyuan, Lu Jiayi, Qian Zhengying, Su Buqing, and Ismail Amat, as well as Standing Committee members totaling 232 people, attended the meeting.

**Health Minister Visits Session**  
*OW2703200289 Beijing Television Service*  
*in Mandarin 1400 GMT 23 Mar 89*

[From the "Night News" program]

[Text] This morning, members of the CPPCC National Committee from medical and public health circles took part in a joint group meeting. Chen Minzhang, minister of public health, attended the meeting to explain China's public health work to the members attending the Second Session of the Seventh CPPCC National Committee and answered questions asked by some of the members.

Touching on the issue of fake medicine, Chen Minzhang said: Following the implementation of the Regulations Governing the Administration of Medicine, control on medicine has been strengthened. However, due to the large number of pharmaceutical plants and retail outlets, control is sometimes inadequate. In the future, the Ministry of Public Health will make improvements in this respect. Chen Minzhang said: The overwhelming majority of medical workers are of good moral character, but the behavior of a small number of can create a bad impression on everyone. Therefore, we must make efforts to improve the moral character and work style of medical workers. [Video shows medium close-up of Chen Minzhang who is seated at a long table with an unidentified woman facing scores of CPPCC members]

**Hong Kong Member Addresses Session**  
*OW2703224689 Shanghai City Service in Mandarin*  
*2300 GMT 25 Mar 89*

[From the "Morning News" Program]

[Text] Members of the CPPCC National Committee continued to take the floor enthusiastically yesterday. Jiang Xiaoqing, our station's special correspondent in Beijing, has sent us the following report:

[Begin Jiang recording] The Second Session of the CPPCC National Committee held another plenary meeting on 25 March. A total of 18 members took the floor at the meeting. According to the automatic display at the Great Hall of the People, 1,354 CPPCC National Committee members attended this morning's plenary meeting. The attendance was the highest of the four plenary meetings.

Xu Simin, chairman of the board of the Ching Po Cultural and [word indistinct] Company, Ltd. in Hong Kong, was the center of attention. When he started delivering his 20-minute speech at the morning session, dozens of photographers converged toward him, almost blocking out his view completely.

In his speech, Xu Shimin commented primarily on issues concerning political democratization. Analyzing the serious corruption situation at home, he pointed out that the government should not merely depend on administrative orders to improve the economic environment and rectify economic order, but should employ a democratic system to arouse the people to deal with problems together.

He held that the repeated upheavals during the last 40 years [words indistinct] with the practice that only the senior leaders have their say. He endorsed the current method of election—that the number of candidates is larger than the number of deputies to be elected—and hoped that this system can be upheld so that the bureaucratic practice of electing whomever the higher authorities decide can be stopped.

When asked to comment on the role played by CPPCC organizations, Xu Simin held that the CPPCC National Committee should accept as members those who are really proficient and who can inquire and discuss state affairs at CPPCC forums so that different views can be conveyed to the ruling party through various normal channels [words indistinct]. He maintained that, to uphold multiparty cooperation under the CPC leadership, the long lasting, feudalistic relationship between mother-in-law and daughter-in-law must be abolished. Nowadays, he said, mothers-in-law and daughters-in-law must respect one another.

Xu Simin earnestly appealed [to the judicial authorities] to properly handle [words indistinct] especially major cases concerning speculative and profiteering activities

carried out by official departments. He said that, instead of merely issuing warnings, all cases should be openly handled to convince the public that, whoever breaks the law, everyone—including even sons of high officials—shall receive the same punishment as ordinary people. Only by doing this, Xu said, can the government establish its authority and can its pledge for clean government not become an empty promise.

When talking to me over the telephone this evening, Xu Simin indicated that he was glad that he could express his view. But he expressed regret that he wasn't able to finish his speech even though his time had been extended for 5 minutes. Fortunately, he said, the written version of his speech has been distributed to all fellow CPPCC National Committee members. He added that his speech was based on the views of overseas Chinese as well as his extensive findings on the mainland.

It is also learned that the speech which Zhang Wei, member of the China Democratic League and vice chairman of the China Society of Science and Technology, made on behalf of people of science and technology circles received an enthusiastic response. Zhang pointed out in his speech that the idea of leasing 30 square km of land in Hainan to foreign businesses on a long-term basis and at low prices should be approached with caution. [end recording]

#### **Economic Problems Noted**

OW2803050289 Shanghai City Service in Mandarin  
2300 GMT 23 Mar 89

[Text] According to a dispatch yesterday by station reporters in Beijing, the Second Session of the Seventh CPPCC National Committee held a meeting on the afternoon of 23 March to hear the first speeches. (Lu Jingying), professor at Shanghai Machinery College, delivered a speech entitled "Social Education, Ethical Criterion for Judging Truth, Should Be the First Objective of All Social Activities." Professor (Lu) sharply pointed out: There are now many problems in our society such as decline in industriousness and thrift, overheated consumption, extravagance and waste, gambling and superstition, hooliganism, and regarding [words indistinct] as the objective of life.

Professor (Lu) held that there are many reasons for the emergence of these maladies, but some slogans raised in the past are also responsible to a certain degree, such as promoting high consumption with high production [words indistinct]. He held that it is necessary to strengthen political and ideological education, but because of lack of explicit ethical criteria, [words indistinct]. Therefore, he offered a new new viewpoint: Under current conditions of the primary stage of socialism, the realization of social education should be made the general criterion of ethics.

At today's general meeting, CPPCC members fervently responded to the speeches made Qian Weichang and Bi Keguan. On behalf of the China Democratic League, Qian Weichang delivered a speech entitled "Revitalizing Education Brooks No Delay." It was warmly welcomed by all participants. On behalf of literary and art circles, Bi Keguan delivered a speech entitled "Enhance Encouragement, Strictly Deal With Maladies, and Do Away With Corruption," which also won warm applause from everyone.

The CPPCC members also heard a speech by a Tibetan Pagbalha Geleg Namgyai, vice chairman of the CPPCC National Committee, entitled "We Must Not Turn Back History; Riots Are Unpopular." In his speech he stressed that Tibet belongs to the socialist motherland. CPPCC members from Shanghai (Sun Pingfang), Zhu Deyao, and (Ke Hankui) will deliver speeches tomorrow and the following day.

During our coverage of the CPPCC session, we also witnessed the following scenes:

Miss Xu Lu, reporter of Taiwan's ZI LI WAN BAO [TZU LI WAN PAO] who was the first reporter from Taiwan to visit the mainland, attracted the attention of many people. When Li Xiannian, chairman of the CPPCC National Committee, called on the CPPCC members at the Youyi guest house on 22 March, he noticed Xu Lu among a group of reporters from Hong Kong, Macao, and Taiwan. Xu Lu asked Chairman Li whether he welcomed Taiwan reporters to cover news on the mainland. Chairman Li said they are most welcome, adding that it is not possible to beat gongs and drums to welcome them. Xu Lu then asked about Ngapoi Ngawang Jigme's age. Ngapoi Ngawang Jigme answered that he was 49 and that he was born in the year of the dragon. Chairman Li Xiannian asked him whether Tibet also has the system of using the 12 animals to symbolize the year in which a person is born. Ngapoi Ngawang Jigme gave a positive answer. Chairman Li said: In that case, it shows that we are of the same family, and we should not be separated.

The reporters from Hong Kong, Macao, and Taiwan, in covering the NPC and the CPPCC sessions, have been active and aggressive. They have been covering news at three or four locations a day and have been cabling news scripts three times a day. Of course, they have met with some restrictions in news coverage. The situation improved after they cosigned a petition to authorities concerned.

#### **'Elevation of Social Morality' Urged**

OW2803074489 Beijing XINHUA in English  
1143 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—A well-known Chinese writer has been entrusted to work out a plan for the elevation of social morality in China.



Writer Feng Jichai, who has written many a story on social problems in China and has been concerned with a deterioration of moral standard in China, told XINHUA that he is the one to have been given the trust.

A member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) who is now attending its current session here, Feng said he has raised some suggestions on the promotion of social ethics to the central authorities and has been encouraged to work out a plan in this regard.

Feng said he is now working on the matter with members of democratic parties.

"Political education is not equal to elevation of social morality. The content of the latter is much richer than that of the former," he said.

Traits of a moral and cultured person cover the level of his education, beliefs, aesthetic capability, morality and his very nature, he said.

The central government should call together sociologists, psychologists, and experts on aesthetics, culture, education, literature and behavioral science to study the issue and come out with suggestions on the promotion of social ethics in China, in addition to his, Feng said.

#### **Commentary on Multiparty Cooperation**

HK2803080089 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1205 GMT 27 Mar 89

[Commentary by reporter Xu Shaoling (6079 1421 3781): "Participation in Government and Discussion of Government Matters, Multiparty Cooperation—Closing of the 2nd Session of the 7th CPPCC National Committee]

[Text] Beijing, 27 Mar (ZHONGGUO TONGXUN SHE)—The Second Session of the Seventh CPPCC National Committee closed this morning. The session lasted only 9 days, the shortest meeting in the history of the CPPCC.

The session was called at a crucial time for the mainland's involvement with improving the economic environment and rectifying the economic order. The situation is grim, with the country facing many problems and great difficulties. Committee members put forward 1,811 proposals on education, science and technology, agriculture, forestry, economic matters, culture, and so forth. Among them were programs and measures offering solutions. Their enthusiasm for involvement in government left a deep impression on people.

At present, the Chinese Communist Party has chiefly concentrated on the economic field in its improvement and rectification effort. But at this session, the problem of multiparty cooperation also became an unusually hot topic of discussion among committee members.

The CPPCC National Committee is an embodiment of social celebrities and the elite in various circles. It should give full play to its role of "political consultation and democratic supervision." As to the ruling party, attention should be paid to preceding decision-making with political consultation. Concerning democratic supervision, there should be a legal basis for supervisors to follow. Otherwise, it will be merely a matter of formality. It was learned that to this end, the Chinese communists are striving for an improvement. For example, on the education problem, Chairman Fei Kaotong of the Central Committee of the China Democratic League wrote a letter to General Secretary Zhao Ziyang of the CPC Central Committee putting forward 10 proposals. These were welcomed and given attention to by Zhao Ziyang. A news report said that the CPC Central Committee would call the fourth plenary session of the CPC Central Committee to discuss China's education problem.

In light of an accumulation of 40 years of experience, attention to the CPPCC or not has an extremely great bearing on the state's stability and prosperity. The most important thing is that in future not only at conferences but in everyday work, the country should have such an environment as enables CPPCC members at all levels to give full play to their role of political consultation and democratic supervision.

#### **Editorial on Army's Wishes to NPC, CPPCC**

HK2803041589 Beijing JIEFANGJUN BAO  
in Chinese 20 Mar 89 p 1

[Editorial: "The Wishes of Officers and Men of the Army"]

[Text] Fields are again green with fragrant grass this year. On the occasion when the Second Session of the Seventh National People's Congress (NPC) and the second session of the Chinese People's Political Consultative Conference [CPPCC] are being solemnly held, officers and men of the Army extend best wishes to them. We hope that our people's deputies and CPPCC members, who are the masters of their own affairs, will do well in exercising their rights conferred by the people, and that they will draw on collective wisdom and absorb all useful ideas, and suggest ways and means for improving the economic environment and rectifying the economic order, and deepening reform. We also hope that the two sessions will become positive and constructive sessions, which can inspire our people, boost our confidence, and promote our unity and struggle!

A man must have aspirations, an Army must have morale, and a nation must have popular morale [min qi 3046 3049]. Without popular morale, the destiny of the nation will not be magnificent, and nothing great can be accomplished. Only by inspiring our enthusiasm and carrying out our struggle with full confidence can we promote the great cause of reform. Thanks to the 10-year reform, we have achieved a great development over the past 10 years. This basic fact is known to all. In the

course of making great achievements, we encounter problems such as overheated economy, inflation, and so on. The 3d Plenary Session of the 13th CPC Central Committee promptly proposed a guiding principle of improving the economic environment and rectifying the economic order. Through the work done over the past 6 months, initial results have now been achieved. We should understand that we are facing many difficulties and problems. However, what is more important is that we should realize that development and progress are the main aspects of things. Facts have proven that the guiding principle of improvement and rectification defined by the CPC Central Committee and the State Council is completely correct. As long as we persist in implementing the guiding principle, we can surely achieve greater success, and continue to push forward our construction and reform.

The problems we are encountering are problems arising on the road of advance, and the difficulties we are facing are difficulties occurring on the path of development. Of course, we should pay close attention to our difficulties and problems. However, we should be full of confidence. Compared with 10 years ago, our party and people, who have steeled themselves better and have become more mature during the reform and opening up, have more than doubled the economic strength of our country. The new system of the socialist commodity economy, which is full of vigor and vitality, is being gradually established. All this has undoubtedly provided us with very beneficial conditions for overcoming these difficulties. Now what is most urgently needed is that we should carry forward the spirit of "every man, who is the master of his own affairs, having a duty to his country," and that we should work hard with one heart and one mind, and unite as one to carry out our struggle. Everyone should try every means and do everything possible to overcome difficulties. There is an old Chinese saying that contains a dialectical view: "Much distress regenerates a nation." Difficulties can evoke people's wisdom and arouse their fighting will. After conquering difficulties and setbacks, we, who are like weary travelers despairing of finding the road, will discover a village and the beckoning shade of willows and riotous flowers.

Our Army is the staunch pillar of the people's democratic dictatorship. The fate of our Army is closely connected with the fate of the entire country. If we regard our country as a vast sea, our country will be like a warship on the sea. When the river rises, the boat goes up. It is only when our country is prosperous that our Army will become powerful. Since our country is not yet economically strong, our Army must live a frugal life for several years. When our country has done well in its economic construction, there will be a reliable material base for the modernization of our national defense. Officers and men of the Army know this perfectly. They will consciously take the situation as a whole into consideration, and actively support the construction and reform of the state. In the meantime, they will make efforts to promote the development and reform of the

Army itself, and further enhance their combat effectiveness. This is a vivid embodiment of the political qualities of the People's Army under the new situation. We should further study and implement the spirit of the 3d Plenary Session of the 13th CPC Central Committee, give play to the political strong points of our party and Army, and make still greater efforts to implement the guiding principle of improving the economic environment, rectifying the economic order and deepening the reform, realizing the four modernizations, and invigorating the Chinese nation.

People's deputies and CPPCC members from the Army, who are attending the two sessions, are undertaking a glorious mission entrusted by officers and men of the Army. We believe they will do well in expressing the desires of comrades of the entire Army, speak their minds freely, and fully air their views. We also believe that they will actively participate in and discuss government, political affairs, and suggest ways and means to hold the sessions well. Working together with people of various nationalities throughout the country, they will strive to win a new victory in both construction and reform, wishing the sessions a complete success!

**Commentator Views NPC, CPPCC Sessions**  
JFK2803022089 Beijing CHINA DAILY  
in English 28 Mar 89 p 4

[By CHINA DAILY commentator: "Candour and Wisdom"]

[Text] Deputies to the current National People's Congress session in Beijing have agreed with the central authorities' criticism of the overheated growth that has plunged the economy into near chaos over the past few years.

The State Council's report, read by Premier Li Peng after being discussed and approved by all members of the Communist party Politburo, sounded a note of genuine regret for the loopholes in its economic leadership.

The law-makers were told that expenditure and the processing and construction industries had been allowed to expand too rapidly, leaving the basic sectors of the economy—such as agriculture, energy and production materials—far behind and exacerbating the shortages already suffered by these sectors. This showed serious mismanagement, the Premier admitted.

The same opinions have also been expressed by Zhao Ziyang and other top officials on recent public occasions. Senior statesman Deng Xiaoping, who now handles few of the public affairs, has shown himself willing to share the responsibility for the problem.

This unanimity in the face of adversity—and the refusal to shift the blame onto other shoulders—is a good indicator of the nation's political stability and unity. This desire to "seek the truth from facts"—as a Chinese

saying goes—should not be seen as a retreat from the reform programme launched 10 years ago, or as a move toward conservativeness. The present readjustment strategy reflects a pragmatic approach. All the factors affecting the course of China's progress must be weighed up carefully before they proceed.

The prevailing view is that the problem currently facing China has arisen not as a result of introducing market forces, but as a result of miscalculations. The direction of the reform cannot and will not change.

What China should be asking is why there have always been aspirations for a rapid conquest of the obstacles to China's social and economic development. And what China has to learn is not only how to solve its present problem but, more to the point, how to avoid similar problems in the future.

One can think of two main reasons why the need for speed was over-emphasized:

One is the somehow naive expectation that a traditional society like China's can be transformed merely by the achievement of a simple set of material targets. Actually, the essential improvement of people's lives can be measured by neither the total output of iron and steel, as some insisted in the 1950s, nor by their income level alone, as some believe now.

The craze for speed in hitting one or two key targets tends to make people neglect many other important areas of life, such as education. This oversight may often cause the pendulum to swing between contrasting policies, hence leading to a great waste of human and material resources. It is steady progress, compounded by unrelenting hard work, that will benefit society most, even though it may produce few dramatic short-term results.

The other reason lies in the imperfection of democratic decision-making and supervision over the government. When administrations at various levels became intoxicated by easy successes, the country had no effective way of pointing out that things were simply going too fast.

The NPC and the Chinese People's Political Consultative Conference (CPPCC) are China's two major democratic institutions, whereby the people's representatives examine the work of the government. After having paid so dearly for so many ups and downs along the path of development, China is now learning to use these bodies to further its interest. At this year's legislative debates, the issue of overheated growth was widely questioned. This, in itself, is promising evidence of the value of democracy.

#### Reasons for Education Problems Explored

HK2703043189 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1348 GMT 26 Mar 89

[Report by Xu Shaoling (6079 1421 3781): "Where Lies the Root of the Mistakes in China's Education?"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 26 Mar (ZHONGGUO TONGXUN SHE)—Deng Xiaoping recently told some foreign visitors that China's biggest mistake over the past 10 years was insufficient development in education. This remark evoked extensive discussions among people's deputies to the National People's Congress (NPC) and members of the National Committee of the Chinese People's Political Consultation Conference (CPPCC) in session. They asked: Where is the root cause of this mistake?

Since reform and opening up began, the authorities have changed the conditions in which education was destroyed during the "Cultural Revolution" and have attached importance to education. However, as people here pointed out, in general, the authorities emphasis lie in words and not action, they made no decisions about developing education, and did not realize that the education crisis was China's fundamental crisis. Otherwise, how could China's education budget be lowered to such a dreadful level? The per capita education budget was merely \$11.2, ranking second from the bottom in the world.

As for the root of the mistake, people listed the following points: First, the top decisionmakers in China did not fully realize the importance of education, and this affected their policy decision concerning the development of education.

Second, China lacked necessary legislation to guarantee education. In many countries, the state's annual education budget, compulsory education for youngsters, the teachers' qualification, and the schools' facilities are all stipulated by certain laws and regulations. In China, however, such regulations lacked financial guarantees or were not implemented strictly.

Third, the authorities were shortsighted when approaching education. They could perceive the needs for material products, but could not perceive the long-term and profound influence of education on people's quality. Therefore, capital construction in China could develop considerably or even swell excessively in a short period of time, but calls for developing education were only words and did not materialize for a long time.

At the current NPC and CPPCC sessions, the education issue has been mentioned repeatedly. The mainland authorities have indicated that full attention will be paid to education. The above quoted remark by Deng Xiaoping can be construed as the latest message on this issue.



However, Chinese people at home and abroad will still have to wait and see whether China's education can be substantially developed henceforth.

**Article Discusses Neo-Authoritarianism, Reform**  
*HK2403125489 Beijing JINGJIXUE ZHOU BAO*  
*in Chinese 12 Mar 89 p 1*

[Article by reporter Gao Yu (7559 3842): "Neo-authoritarianism: Does It Represent a 'Spirit,' or a 'Rat?'" ]

[Text] When the proponents of "neo-authoritarianism" likened what they advocated to a spirit that had in the light of early dawn threaded its way through the ideological forest [as published] with flapping wings, the response from the ideological forest was far from cheers. At the worst, it was instead viewed as "a pursued rat scurrying across the street."

Why has there been such a clash of views? It seems that there is no immediate solution in the matter of controversy.

Recently, the group devoted to discussing the theme, "Theory of Democracy in China," held "the first symposium on the theory of democracy in China." The Beijing Institute of Research on Social, Scientific, and Technical Development, and LILUN XINXI BAO [THEORY INFORMATION JOURNAL] also jointly held a "symposium on neo-authoritarianism in the current wave of political thinking." These two meetings show that "neo-authoritarianism" has become a hot subject in current ideological circles. The study of theory has again been pushed to a new height.

"Neo-authoritarianism" is what has been put forward by some people in economic circles. Among the opponents are many students of philosophy and political science. This fact itself has provided a very good basis for discussion. Economists have traditionally laid emphasis on the possibility of operation [of a theory] in real life. "Neo-authoritarianism" originated from Qing Ping in 1986. It was again put forward in 1988. It began to surface publicly this January. It is a political idea arising at a time of China's reform running into an obstacle and of social and economic problems getting ever closer to a crisis. What is reflected is actually a crisis of a force being inadequate as a stimulation to reform.

"The idea of "neo-authoritarianism" has two main aspects: 1) The basis of democratic freedom is a perfect market economy; 2) the operation of the market calls for neo-authoritarianism." An angry question is raised: "The market still relies on the government in its construction. The legal system still relies on rule by men in its construction. Now it is upgrading a doctrine-free government and downgrading the doctrine of freedom from government. How to solve this knotty problem?" In at least three respects, it is difficult to draw a clear line of distinction between "neo-authoritarianism" and "old authoritarianism." 1) What is stressed is not the political

system, but the leader, or strongman politics. 2) It is suggested that only after economic development and prosperity can democracy move toward development and prosperity, without regard to the fact that democracy has the potential of cultivating people and arousing the greatest enthusiasm in people, and actually has the effect of stimulating economic development and prosperity. 3) It is suggested that democracy must be practiced only after a period of training. Otherwise, there is likely to be trouble with involvement in democracy, given the absence of the quality of democracy in a people. The basic fact that democracy can only be cultivated and born in the midst of democracy is negated. So are facts about such major historical events as the "May 4 Movement," "the seizure of political power by the CPC," and the "April 5 Incident."

The above three points may be drawn upon for reference. But they call for a high degree of vigilance from the people. This is their theoretical guide: In China with its no lack of despotism, the emphasis on authoritarianism can only strengthen despotism and lead to political and economic retrogression.

The 13th CPC Central Committee defined the goal of the socialist commodity economy and democratic politics as an important result of China's reform. It has put in 10 years of effort and energy in theoretical circles. Given a dual crisis confronting reform and development, there is an urgent need for theoretical circles to recognize the goal and seek a motive force for reform. Is it a "spirit," or a "rat?" Exploration and debate themselves can also form an important driving force.

**Neo-Authoritarianism Refuted, Rule of Law Urged**  
*HK2603035289 Beijing JINGJIXUE ZHOU BAO*  
*in Chinese 12 Mar 89 p 5*

[Article by Gao Gao (7559 4108): "Improve the Social Control System Taking the Rule of Law as the Main Body"]

[Text] Faced with chaos in the social and economic order, some "pragmatic" theoreticians have advocated the rule of "neo-authoritarianism"—that is enlightened or elite autocracy—to develop the economy and assure smooth progress in modernization. Since they claim to be "pragmatic," it is necessary to conduct a feasibility study which, apart from in-depth theoretical analysis, should also consult historical experience.

**The Definition of "Enlightened Autocracy"**

The definition of "enlightened" in "The Encyclopedia of Words" is "having good sense and being reasonable." I think the degree of being enlightened should include the degree of accepting new thoughts and tolerance of different opinions. The degree is determined by one's ideology and practical interests. Basically, "being enlightened" is determined by the mind of the person involved.

The definition of "autocracy" by the "Encyclopedia of Words" is "dictatorial." A dictionary of political science explains the character of autocracy as possession of supreme power by the ruler, being under no restrictions or any restraints, exercising power dictatorially and arbitrarily without the corresponding responsibility. His word can replace law. The ruler can clamp down on the laboring people with any ruthless means while the latter do not possess any rights at all. The ruler often controls every aspect of social life, including people's thinking. This kind of rule is often accompanied by obscurantism.

Therefore, it can be said that enlightened autocracy is one form of autocratic rule, the basic character of which is personal rule, that is to say a kind of ruling with unrestricted power. The only thing is that the ruler happens to be enlightened, which is not a quality that is easily measured.

### The Lesson of History

The CPC ruling group comprises a body of Chinese elites who have come out unscathed from the crucible of history. They are not elites just because they say so. The political power established by the CPC therefore carries authority, not of a dynastic nature but of a kind whose name is "neo-authoritarianism."

Mao Zedong made unparalleled achievements in the CPC. History soared him up to the status of head of an elite group. His thinking was very liberal. If I may borrow the word "enlightened," then Mao Zedong can be said to be very enlightened. Many examples can be found from his words and deeds:

1. In early July 1945 Mao Zedong, when talking with Huang Yanpei mentioned the inability of every dynasty to extricate itself from the periodic cycle of initial founding through tough work of a dynasty, then internal decay, and finally destruction at the end, remarked that we could be absolved from this fate by treading a new path, namely, democracy; that under the supervision of people the government dare not slacken. ("Concerning a Talk Between Mao Zedong and Huang Yanpei" by Feng Hui)

2. In September 1949, a system of political discourse was established, which took the form of Chinese People's Political Consultative Conference [CPPCC], a permanent consultative and discussion organ assisting the rule of the Communist Party.

3. In 1956 Mao Zedong offered to resign from the post of State Chairman and following this he, citing the Swiss presidential system in which the presidency is assumed by members of a seven-man Committee in rotation, remarked that we could do the same, that we could rotate state chairmanship every several years (Shi Zhongquan's "Prelude to the Second Historic Leap").

4. On 7 December 1957 Mao Zedong said, in talking with persons including Huang Yanpei and Chen Qiantong, that private large-scale factories could be set up and private operations allowed, that after capitalism was eliminated we could go capitalistic again.

5. In 1957 the rectification campaign was launched. It called for resisting against bureaucratism, sectarianism, subjectivism and it demanded nonparty men to criticize the mistakes and shortcomings of the party and government.

6. In September 1959 special amnesty was granted to war criminals, counterrevolutionaries and ordinary criminals proven to have forsaken their evil past and taken the good path.

In December 1961, 68 war criminals recognized to have forsaken their evil past and taken the good path were pardoned and released.

7. In 1972, diplomatic exchanges and, later, official diplomatic relations were resumed with the United States and Japan. It can be said that the first step toward opening of China was made by Mao Zedong.

Many of Mao Zedong's words and deeds in government, judged by today's perspective, were frank and open enough. They could be seen as "having good sense and being reasonable." His enlightened rule was undeniable. However, as enlightenment is based on individual's value judgment and practical interests, and as personal power as rendered by autocracy goes beyond the constitutions and is unrestricted by law, the practice of enlightened rule can be such that it can be enlightened today and tomorrow, but on the day when power and interests are touched enlightenment will all but be squeezed out by autocracy.

Let me give you an example, still drawn from the points made above:

At the 1953 CPPCC, Liang Shuming delivered some of his critical opinion on problems concerning agriculture. This angered Mao Zedong, and political consultation was turned into political "threat." Liang Shuming kept his mouth shut for the following 30 years.

It was precisely under the call of the rectification campaign that well-meaning criticisms were construed as malicious attacks on the party and socialism, that 550,000 intellectual elites were labeled as leftists, deprived of the opportunity to serve the Chinese people with their knowledge.

It was Mao Zedong who first opened the gate of opening China to the outside world. But in 1975, and all economic and technological exchanges with Western countries were labeled as worshipping and having blind faith in things foreign, and as slavish comprador philosophy. Even the "tails of capitalism" would have to be cut off, much less capitalism itself.

Mao Zedong had hoped to implement democracy and not to tread the doomed rut of working hard to found a political power only to see it destroyed from internal decay. But owing to his "neo-authoritarianism," his enforcing tight control on thought and his extra-legal behavior, every Chinese lost the freedom of thought. It led not only to the "Great Cultural Revolution," but brought the nation to the brink of collapse.

The lesson learnt from the sacrifice of 1 billion Chinese for "neo-authoritarianism" is only too painful. Historical experience has taught us that the road of "neo-authoritarianism" is a dead end.

#### Needs and Reality

Every society needs authority, especially modern society. China needs an authority which can guide the motivation and creativity of all members of society onto the track of modernization, thus creating a good environment for reform. But authority is not to be set up by men, nor is it an absolute concomitant to power status.

In 1988, a "4-season wind" was whipped up in China's economic work. First there was stabilizing the economy and deepening reform. Next was the idea of great inflow of foreign investment and large export and entering the international economic cycle. Then came the decision that a bout of severe pain was better than long suffering. That is, price and wage reform was to be pushed through, even at great cost. Last came improving the economic environment and rectifying the economic order. When there comes another "wind," 1 billion people will turn to a new direction, with its tail section still charging in the previous direction—the 1 billion of people are simply dazed. In this way how can there be an authority? Whether it is a political strong man, or a government, his authority will be established through his political performance, which is recognized and therefore voluntarily obeyed by society. Authority will naturally be established when one's decisions always conform to people's interests and social development, and continual solid achievement is attained. As Mao Zedong said, practice only democracy and let people supervise the government, only then will the government not dare to be lax, and only then will the government have authority.

#### There Must Be Improvement in the Rule of Law

Whether it is the government which exercises the power or people who supervise the government, a certain set of social norms is needed to restrain the behavior of both the people and the government. This calls for a good

social control system, that is, a social control system with the control by law as the main body, which will include advocating occupational and public morals, supervising public opinion on the basis of freedom of the press and speech...but never will there be control on thought and administrative control which go beyond the law and the constitutions. In the step-by-step progress of democratization, reform will be made gradually, and gradually we move toward modernization.

**Reason for 'Crisis' Termed Lack of Legal Basis**  
HK2803021989 Beijing JINGJIXUE ZHOU BAO  
in Chinese 12 Mar 89 p 5

[Article by Sun Liping (1327 4539 1627): "The Present Authority Crisis and Its Cause"]

[Text] An authority crisis is brewing, taking shape, and deepening. We can see even without careful observation that: The people's recognition of authority is continuously waning; the reputation of the party and government is not as good as it used to be; the techniques against government policies and decrees have reached a professional level; the major policy decisions of the central government on national economy and people's livelihood cannot be smoothly implemented; and the psychology of cherishing the past is spreading in some localities. The "rebellious phenomenon" [ni fan xian xiang 6627 0646 3807 6272] that exists universally has spontaneously aroused disgust at and resistance to any efforts made and decisions taken by the higher authorities.

In the course of the gradual deepening of reform, why has such an "authority crisis" suddenly appeared? This is naturally related to some mistakes in reform and corrupt practices. In addition, there are also other profound reasons. If these practices are viewed from the general background of the modernization program as a whole, we are now in a state of "authority vacuum" [quan wei zhen kong 2938 1218 4176 4500], or absence of authority, in the transfer of typical authority in the "later, foreign" [hou fa wai sheng 0683 4099 1120 3932] type of modernization. Webb [not further identified] believed that authority derives from three sources: Tradition, personal charisma, and law and rationality. Although Webb did not believe that these three sources of authority had sequential logic, we can say that, by and large, in a traditional society, authority was established more on the basis of tradition or personal charisma. In a modern society, however, authority is mainly established on the basis of rationality and law. Nevertheless, while the personal charisma and traditional basis of authority are continuously weakened or are vanishing in the transformation from traditional to modern society, authority based on legal principle is not necessarily being established, thus giving rise to an "authority vacuum." When China's last emperor was driven out of the Forbidden City during the early period of this century, the legal basis of such authority could no longer exist. Consequently, authority was in a vacuum and society was in a



state of internal turmoil. He who had arms became the king of the bushes. This state of internal turmoil came to an end when the CPC unified the country by force and established a consolidated national political power in 1949.

However, an analysis of the authority basis of the new political power shows that the following three factors played an essential role: First, the "Communist Party, representing the interests of the people," won popular support; second, "Marxism, Leninism, Mao Zedong Thought" unified the will of the whole nation; and third, the party and state leaders of the time had personal charisma. However, these three factors have changed.

First, we are now experiencing a transition from the era of heroes to the era of the common people. Soul stirring wars, such as the civil revolutionary war, war against Japan, war of liberation, and war to aid Korea and resist the United States, produced heroes. These heroes displayed their ability and wisdom in the wars, and their legendary experiences vested them with the special charm to conquer the masses. Later, these people became the first generation of leaders of the republic. Their authority and influence were closely related to that special era. However, the special era has gone forever. The new form of authority needs a new basis, that is, rational choice and legal procedure. Bush does not have Reagan's personal charisma. Nevertheless, there is no big difference in his authority, because it derives from law and rationality. In China, however, because of the imperfection of the laws and democracy and other reasons, and with the era of common people approaching, the legal basis of authority has not yet taken shape. This is the fundamental reason for China's current authority crisis.

Second, with the popularization and rationalization of culture, the sacred nature of ideology is fading. "Ideology in the stricter sense stays fairly close to Destutt de Tracy's original conception, and may be identified by five characteristics: 1) Ideology contains a more or less comprehensive kind of explanation of human experience and the external world; 2) it sets out a program, in generalized and abstract terms, of social and political organization; 3) it conceives the realization of this program as entailing a struggle; 4) it seeks not merely to persuade, but to recruit loyal adherents, demanding what is sometimes called commitment; and 5) it addresses a wide public, but may tend to confer some special role of leadership on intellectuals. ("The Concise Encyclopaedia Britannica," Vol 9, p 102) Thus, it can be seen that the basic characteristic of ideology is that it turns the common objective into a sacred belief and at the same time fosters a strong solidarity and sense of duty among its followers. This basic characteristic of ideology has played a very important role in the course of revolution. In the history of mankind, almost every revolution has had its ideology. Some 60 years have elapsed from the debate on "questions and isms" between Li Dazhao and Hu Shi, which was spread, applied, and enhanced in

China as ideological Marxism, following the "salvoes of the October Revolution" to the end of the Cultural Revolution. During these 60 years, it served as a powerful weapon of revolutionary mobilization in the revolutionary war and was also an important means to increase social solidarity and vest the political power with legality in the period of peaceful construction. "A population of 700 million needs unified thinking." This motto of Lin Biao's, no matter what his ulterior motive for it may have been, reveals a basic truth. With the launching of the drive to emancipate the mind, the impact of a commodity economy, the division of interests, and the growth of a new generation since reform, however, the process of cultural popularization and rationalization has begun. People are no longer used to repeating certain phrases and accepting the conclusions of some personages to view the world. They are more inclined to do their own thinking and make their own judgements. Hence, the sacred halo above the head of Marxism has gradually disappeared. Consequently, some have given up their beliefs and some remain indifferent, while the majority regard Marxism as a science which should be further perfected, revised, and developed. Nonetheless, ideology's functions of fostering social solidarity and vesting political power with legality have weakened to a great extent, or its role in this regard has been limited or has vanished altogether.

Third, political power has been deprived of its basis of moral superiority. In Chinese society, moral assessment has always occupied an important position in the evaluation of political power and officials. During the initial period after liberation, many people compared the Communist Party and the Nationalist Party and supported the Communist Party and new government. In the decades following the founding of the PRC, the purpose and practice of "serving the people" and "working for the interests of the people" of the new political power vested the political power with moral qualities, which constitute an essential source of legality and authority for the political power. The Cultural Revolution, which brought catastrophe to the people and which deteriorated party and government style, also affected the basis of moral superiority. As corrupt practices have spread and become serious in recent years, this lofty moral superiority no longer exists in some localities. There is a folk saying that has become very popular recently that indicates the delicate change in people's attitude: "The central authorities are busy forming a cabinet, the provincial authorities are busy making visits abroad, the county authorities are busy eating and drinking, and the township authorities are busy gambling." This is in sharp contrast to the sayings "The Communist Party works hard for the people" and "I regard the party as my mother" which prevailed during the initial period after liberation. It should be noted that many corrupt practices can easily crop up during the initial stage of the modernization program. If the political power cannot adopt effective measures to keep the corrupt practices within certain limits, they will undermine the foundation of political power. Apart from the rapid pace of

modernization and powerful traditional forces, the corruption of the royal family members was an essential reason for the downfall of the former Iranian ruler, Pahlavi. In a country in which the people attach great importance to moral assessment, corrupt practices play a greater role in disintegrating authority.

Therefore, viewed from either the accidental mistakes of reform or the inevitable course of modernization, the crisis in authority is a stern reality that we must face. How, then, can we overcome the authority crisis? Some personages who support neo-authoritarianism insist on giving up the process of democratization and even adopting the means of autocracy to increase centralization of power. This proposal may be effective within a short period of time. From a long-term point of view, however, it will further intensify the crisis. In my opinion, the only way out to overcome the current authority crisis lies in accelerating the building of democracy and the legal system, making efforts to establish the legal basis of authority as soon as possible, and smoothly realizing the substitution of the basis of authority. This is the fundamental way to realize long-term stability in China.

#### Article Views Pluralistic Authority

HK2803080189 Shanghai SHIJIE JINGJI DAobao  
in Chinese 20 Mar 89 p 13

[Article by Hu Shoujin (5170 1343 6874): "Authority: Monistic or Pluralistic?—What Is Our Choice?"]

[Text] If diverse power systems coexist in society and are controlled by different authorities, then we call this coexistence of a variety of authorities "pluralistic authority."

Because 1) authority is necessary and there will be no order without authority, and 2) monistic authority will only provide order and will inevitably lead to power abuses, in order to maintain order and prevent power abuses and to ensure the citizens' freedom and rights, the only option we can select is "pluralistic authority."

The premise of social order is obedience. Monistic authority holds absolute power and maintains order under the premise of absolute obedience or submission. Social order is maintained at the expense of citizens' freedoms and rights.

The coexistence of plural authorities eradicates the social condition for absolute obedience. It is impossible for several authorities to demand people's absolute obedience at the same time. Therefore, the premise of absolute obedience or submission cannot hold.

Each authority represents a kind of order. In order to exist and develop, a variety of authorities will coexist in the same society and will involve themselves in intense rivalry and competition. Each authority will strive to expand its influence and power sphere, and will try to

overcome other authorities so as to monopolize all powers and control the entire society, thus setting up the order it represents. Once a single authority succeeds in annexing other authorities, the society will enter an autocratic condition under the monistic authority which monopolizes all powers. However, if none of the diverse authorities can annex others, then in order to continue to exist, they will reach a compromise and maintain a dynamic balance of strength. Then, all authorities will subject themselves to the compromise reached by the balance of strength and establish order under the premise of such a compromise. This is not an order represented by a certain authority, but an order established and maintained by various authorities in a balanced condition.

In a society controlled by plural authorities, power will be checked and balanced effectively. First, all authorities are subject to the constraints of the public order, and none of them dare to act as it likes and defy laws. Second, each power system is constrained by other power systems. Third, in order to safeguard their own interests, all authorities will inevitably constrain their own power systems in a sensible way. Therefore, the checks and balances between plural authorities can prevent power abuses and guarantee citizens' freedoms and rights.

Supposing traditional monistic authority begins to decline, what is a comparative reasonable development option that our society should select?

Monistic authority represents the social order maintained under the premise of absolute submission and at the expense of citizens' freedoms and rights. Along with the decline of monistic authority, the old social order will also gradually become lax. The laxity of the old order which shackles humanity is undoubtedly favorable to the emancipation of humanity and provides a valuable opportunity for the development of democratic politics. However, such laxity may also lead to disorder. The laxity of the old order is accompanied by a certain degree of freedom, but such freedom is extremely tender and can easily be destroyed.

Society needs order, and order must be maintained by authority. Therefore, in order to ensure the development of humanity and to ensure citizens' freedoms and rights, it is naturally necessary to strive for the rise of pluralistic authority and use it to replace monistic authority and to establish a new order maintained by pluralistic authority and use it to replace the laxing old order. Thus, our society will gradually be turned into a democratic society ensured by the mutual checks and balances between the plural authorities.

However, advocates of neo-authoritarianism select an opposite road.

Wu Jiaxiang holds that "in my view, social development generally undergoes three stages, namely the traditional autocratic stage, the stage of free individual free development under the protection of neo-authoritarianism, and the stage of combination of freedom with democracy."

Here, neo-authoritarianism is regarded as a necessary stage in the transition from the stage of autocratic authority to the stage of liberal democracy. Why? "This is because when a highly centralized old authority is declining, power will not be completely shifted to the hands of individual citizens, but will just be retained by the intermediate social strata at various levels left over by the old authority. When power is retained in these intermediate social strata, there will be a state of lacking authority and lacking freedom in society. There will be no necessary centralization and no necessary democracy. The measures for developing democracy and freedom will just achieve the result of expanding decentralization; and the measures for strengthening centralization will result in a further decrease in individual freedom. Therefore, we need a new authority to eliminate the old social structure left over by the old authority and to shift the powers retained by the intermediate social strata to the two ends. Thus, on the one hand, individual freedom can be fully developed; on the other hand, necessary centralization can help remove obstacles and ensure social stability in the development of freedom."

This seemingly eloquent argument tries hard to justify the appearance of a new authority, but it is hardly tenable in reasoning.

First, as mentioned above, the decline of the old monistic authority will cause disorder, but this should be replaced with a new order represented by pluralistic authority, so why do we still have to establish a new monistic authority?

Second, it seems that by using a new authority to eliminate the old social structure left over by the old authority, we will "on the one hand, fully develop individual freedom; on the other hand, maintain social stability in the development of freedom." Thus, we will be able to achieve both ends—developing freedom and maintaining order. However, since the new authority will still be a monistic authority, then how could one assert that the new authority is different from the old one and transcends the basic characteristics of the monistic authority?

According to the advocates of neo-authoritarianism, the new authority, like the old authority, will remain the sole authority which exclusively holds power. The new and the old are also relative. People may still remember that today's old authority was also a new authority on which many people pin their hopes when it was established. What are new with the new authority and with the advocates of neo-authoritarianism?

If society sensibly selects the development model of pluralistic authority when the old monistic authority declines, then how should pluralistic authority be effected?

It is first of all necessary to ensure freedom of the press and to realize cultural pluralism. This article cannot elaborate the significance of cultural pluralism, but three points must be pointed out:

1. Cultural pluralism will enable the people to make extensive explorations and independent selections in their thinking, then society will be full of intellect and feelings.
2. Cultural pluralism will accelerate the decline of the old monistic authority.
3. Cultural pluralism will promote the forming of pluralistic authority.

Secondly, it is necessary to realize economic pluralism and ensure the clear definition of property right related to the means of production. Here, I cannot elaborate the significance of economic pluralism, but three pointed must be pointed out:

1. Economic pluralism will add vigor to the national economy and promote the development of the productive forces.
2. Economic pluralism will create an economic environment for eliminating the power economy. (This writer published an article on the power economy in SHIJIE JINGJI DAobao on 30 October 1988)
3. Economic pluralism will provide an economic foundation for the continuing existence of pluralistic authority.

Finally, people's freedom of association must be ensured so that diverse organizational systems and power systems can be gradually formed and pluralistic authority can be brought into being.

## Military

**Reactions to Army Reform Analyzed**  
HK2403141789 Beijing JIEFANGJUN BAO  
in Chinese 14 Mar 89 p 3

[Article by Li Kaicheng (2621 0418 1004), Geng Yan-sheng (5105 7159 3932), and Yang Ge (2799 2047): "Three Kinds of Contradictory Mentalities on Army Reform"]

[Text] According to a survey, at present there are three types of contradictory mentalities on Army reform among military cadres.

1. Military cadres urgently desire reform, but they have differing views on how and what to reform when it comes to specifics. The main manifestations of the desire for reform are that: 1) Army reform is universally supported. Of the 782 comrades surveyed, 97.8 percent agreed that "to achieve early modernization of the Army, it is necessary to quicken the pace of Army



reform;" 2) a considerable number of comrades were dissatisfied with the current situation of Army reform. Questions concerning establishment structure, cadre system, military training, wages and welfare, ideological education, and inner-Army democracy were listed in the questionnaires. Over 60 percent of the total number of military cadres said that "reform is inadequate;" 3) the majority of comrades deemed the various major reforms affirmed in the last few years by the Central Military Commission "necessary;" and 4) most of them welcomed the reforms that had been or were to be introduced, saying that the time was ripe for reform. For example, those who regarded the time as being ripe for the implementation of the military rank system constituted 82.3 percent, and those who considered the time as being ripe for reform in cadre assessment methods comprised 75.1 percent. The differing understanding of Army reform was mainly expressed in the following ways: First, there were differing views on what Army reform actually was. For example, some comrades regarded advocating that "the Army should serve the overall situation of the state's economic construction," "it is necessary to rectify the guidelines on political work," and "the Army and the people should work together to build spiritual civilization" as reforms, but others did not think so. Second, there were differences of opinion on the problems needing urgent solutions in Army reform. Many comrades said: The main problem in the current Army reform is that "leaders have not yet emancipated their minds and have laid excessive stress on the Army's specific characteristics, thus stifling enthusiasm for reform," and there were also many others who thought that the main problem was that "leaders have an inadequate understanding of the specific characteristics of Army reform and copy local reform methods blindly and indiscriminately, thus affecting the Army's centralized and unified leadership." Third, on the question of the development orientation of the Army, many comrades said: We should cut further the number of troops and take the "road of having better troops," and there were also a considerable number of comrades who said that there should be no more troop cuts and that if funds were short, we could take the "road of self-development" by transferring some troops to the production and business sector.

2. Military cadres want strongly to participate in reform but they are not too clear about what they must and can do for Army reform. According to the survey, which took the form of questionnaires, most comrades said that they were willing to take part in the practice of reform, but that they were not clear about their role and obligations in the reform, and many other comrades said that they were not clear about what they should do for the reform. The enthusiasm of a considerable number of officers and soldiers has thus not been aroused.

3. Military cadres earnestly hope that Army reform can bring them substantial benefits, but have an inadequate appraisal of and inadequate preparation for the possibility of paying a price for reform. The survey revealed:

What people were most concerned about was the reform of the cadre system, and the reform of the establishment structure came next. Those surveyed who expressed satisfaction regarding the current situation in wages and welfare, the cadre and personnel system, and the establishment structure constituted 4.8 percent, 5.9 percent, and 7.9 percent respectively. Officers universally hoped that malpractices involving their immediate interests would be eliminated through reform, but how could they withstand the consequences of reforms in these areas? Take elimination of egalitarianism in distribution, for example. Of the total number of officers, 26 percent said that "since the Army is special in nature, it is still justifiable to eat a little from the same big pot." More than 90 percent of the troops, military academies, and scientific research institutions agreed to "further streamline and reorganize the leading organs at the army level or above," but 33.3 percent of office personnel did not agree. Most people in the units following the civilian cadre system, who were to be transferred as civilian employees, thought the time was not ripe for such reform. The majority of comrades actively supported the idea that cadres "should be able to work at higher or lower levels as required," but some leading cadres had reservations about it.

To put it briefly, military cadres earnestly wish for reform, but have vastly diverse views on it; they want to participate in reform, but do not know what to do; and they hope reform will bring them substantial benefits, but are not ready to pay a corresponding price. These are three types of contradictory mentality on Army reform among officers.

Since reform involves readjustment of relationships of rights and interests, it will certainly evoke strong reactions among military personnel. The ever-changing mentality of military personnel on Army reform will in turn have a great impact on the progress of the reform. Therefore, both reform policymakers and leaders responsible for implementing policy decisions must attach importance to studying and having a firm grasp of the mentality of military personnel.

#### **'Present Stage' of Army Production Viewed**

HK2803083189 Beijing JIEFANGJUN BAO in Chinese  
21 Mar 89 p 2

[Article by Wang Mengkui (3769 1125 1145), deputy director of the Economic Research Center of the State Planning Commission: "Understand the Army's Production Operations at the Present Stage"]

[Text] Our Army's production activity started during the Ruijin period, and it was further developed during the periods of the War of Resistance Against Japan and the Liberation War. Since liberation, the Army has made great achievements in production and construction. The characteristics of the Army's production are as follows:

- To help solve the difficulties caused by the insufficient financial resources of the state and the difficulties in funds and military supplies in remote areas caused by inconvenient transport and communications. In this sense, the Army has been forced by the objective situation to engage in production activity.
- The Army's production is basically characterized by self-sufficiency. It belongs to the category of simple commodity production.
- Apart from the role of providing more funds, the Army's production is also playing the objective and positive role of developing China's remote areas. Many advanced agricultural production techniques in China's remote areas have been passed on and developed by the Army.

It is not necessary for the modern armies of the developed countries to engage in production. This fundamental difference between our Army and the armies of the developed countries has its root in the difference between the natural and small commodity economy and the modern economy. However, if we are not proceeding from a certain idealistic pattern but from our real situation, we can easily find out that our national economy is faced with many contradictions and difficulties. It is a fact that we do not have sufficient military funds. Chinese troops make up one-seventh of the world's total, but have only 0.5 percent of the total military funds of the world. In addition, they are being affected by serious inflation. The difficulties of the Army are entirely imaginable. But on the other hand, we must also realize that China's GNP is only 2.5 percent of the world's total. With such a small percentage of GNP, China has yet to provide for one-seventh of the world's troops. This contradiction cannot be really solved in a short period of time.

In the course of realizing modernization, the Army is an important force in maintaining stability in our country. There are many factors affecting stability in the Army, including military, political, economic, ideological, and cultural factors. Promoting production is of positive significance to the Army in ensuring Army supplies, improving the fund shortage situation, and stabilizing the Army. This should be affirmed. But fundamentally speaking, this is a kind of passive reflection, because the Army is forced to engage in production. Therefore, it is not really necessary to prove its far-reaching significance in theory.

We must realize that the nature of the Army is contradictory to the commodity economy. Under the commodity economy, socialization of production is realized through market competition. The Army reflects the interests of the state and the nation and its command is a kind of vertical command, but that of the commodity economy is a kind of horizontal command. The commodity economy is regulated by the Army and should obey orders. In commodity production, funds are self-accumulated, but in the Army, the funds are provided by the state. Therefore, when the Army is engaged in production operations, there will inevitably be many

problems. We must have a clear understanding of the negative influence brought about by the Army's production operations and work out relevant measures.

The Army's self-sufficient production cannot be easily separated from commodity production. But there are some general differences between them. In production, it is necessary to stress economic accounting and make full use of the existing manpower and material resources. The existing industrial setup of our country is still not reasonable. We also have great difficulties in energy supply and communications. In some places, factories can only work 4 or 5 days a week. Under such a situation, continuing to promote the processing industry in the Army will not conform to the industrial policy of our country, and the new factories cannot be fully put into production either. We must pay attention to this when setting up new factories.

Different management methods can be adopted in the Army's production in light of the situations of various areas and types of production. Uniformity should be imposed. It is necessary to adopt flexible, diverse, and suitable management methods.

The Army's commodity production must be separated from the Army's command, fighting, and administrative systems as soon as possible. We must adopt the method of separating the Army from enterprises in the transitional period. The experiences of various localities in separating government from enterprises prove that it is very difficult to separate the two in reality. Therefore, we must further probe into concrete methods.

In order to develop the commodity economy, it is necessary to strengthen supervision, including supervision through auditing, industrial and commercial management, statistical figures, and banks. The Army's enterprises are no exceptions. We must do so in order to ensure normal development and competition on an equal basis. The commodity economy means exchange on an equal basis. The Army's enterprises must try their best to provide as many quality products as possible for society. They must proceed from the reality when carrying out production operations rather than copying the slogans of certain local areas. They must not make themselves isolated units but must pay more attention to suiting their measures to local conditions and to economic returns. They must be based on long-term development, and their development must be conducive to improving the economic pattern of the state and to promoting the formation of a unified commodity market in our country.

**Importance of Chinese Sea Power Stressed**  
HK2503010889 Beijing JIEFANGJUN BAO  
in Chinese 17 Mar 89 pp 3

[Article by Yang Zhiben (2254 1807 2609): "The Chinese Nation Needs Sea Power"]

[Text] The Chinese nation, which carries the "load" of a 5,000-year-old civilization, began to gradually decline in the mid-Ming Dynasty. This was a direct result of the



Ming Dynasty's maritime prohibition that "did not even allow a single fragment of wood to flow into the sea." The Ming Dynasty rulers forbade boats to venture out to sea, out of a passive consideration for defense. No one expected that this would leave a centuries-long strategic gap and mean catastrophe for the Chinese nation.

History is merciless. Over the last several hundred years we have lost many valuable things, one of which is sea power.

Sea power constitutes a strategic concept of a country, and falls into the strategic category. Sea power is not a theoretical weapon possessed only by capitalist countries. It can be traced back to ancient maritime controversies. In modern times, people have regularized and systematized it through historical practice so that it has become a theory on sea and naval strategies.

The summation of sea power into a strategic theory should be attributed to an American naval officer, historian, and naval strategic theorist named Mahan. Born to a strategy instructor's family in West Point, he graduated from the naval school in Annapolis in 1859. He subsequently served in the U.S. Navy. The U.S. Naval Academy was established in October 1884, and he was immediately invited to be a lecturer on naval strategy and tactics, naval history, maritime policy, and international law. Through years of study he discovered that the rise and fall of empires were determined by whether or not they controlled the sea. In his opinion, only by controlling the sea, or the right to venture out into it, would a country be able to explore and utilize the sea, engage in maritime trade, and make the country prosperous; therefore a country must possess an adequate maritime force to control the sea. These maritime forces include a large-scale commercial fleet, a naval force strong enough to protect the security of commercial navigation, sea traffic lanes, and communications bases. The principal body is the country's navy. He asserted that "commerce governed war" and that sea power determined historical development. In 1890 and 1892 respectively, his books entitled "The Influence of Sea Power Upon History" and "The Influence of Sea Power Upon the French Revolution and Empire" were published, thereby laying the basis for the theory of sea power. In 1911 he completed his book "Naval Strategy," which systematized the theories of sea power and naval strategy.

Mahan's theory of sea power became a theoretical weapon used by powerful countries to develop their maritime forces, particularly their blue water naval forces.

American naval explorer Theodore Roosevelt, applied Mahan's theory of sea power during his posts as under secretary for the U.S. Department of the Navy and as the 26th President of the United States (1901-1909). Under Roosevelt's leadership the U.S. Navy entered a period of major development in its oceangoing fleets and also started building up ship-based air units; thereby ending

the stagnation in naval development since the War of Independence. It took the United States only 20 years to become a strong naval power to match Britain.

Britain accepted Mahan's theory of sea power earlier than the United States because the Victorian court was at that time exercising the naval development strategies of "two strong countries." So Mahan's theory of sea power naturally became their theoretical weapon.

Japan was the first country in Asia to disseminate Mahan's theory of sea power and to use the Chinese characters "hai quan" [sea power] for Mahan's strategic theory. This fully indicates that the Meiji Government had long decided to develop a blue water naval force to meet the needs of invigorating Japan's sea power.

William II of Germany used the theory of sea power to expand Germany's naval force; he also entered Mahan's works in the textbooks for military officers.

In Russia, there were also a number of young naval officers who accepted the theory of sea power and urged the building up of an oceangoing fleet so that Russia could break away from the bind of the "fort fleet" strategic concept. This idea was appreciated by the Russian Czar, Nicholas II, who wanted to develop the navy.

For 30 years during his office, former Soviet Naval Chief Commander Gorshkov criticized Mahan's theory of sea power on the one hand, while on the other, he enabled this theory to take on a Soviet nature by introducing Soviet economic and technological methods, with the aim of developing a powerful maritime force; building up an oceangoing nuclear fleet; breaking away from the old convention of "fort fleet;" and striving for world sea power.

The theory of sea power is another story in China. When Mahan's theory of sea power came into being, the Chinese Qing Government was just forming an inshore naval force without the slightest knowledge of Mahan's theory. Although the gate of the country had long been blown open by colonialist and imperialist gunboats, the Qing Government still remained unaware of the importance of the sea to the country's life or death, or of the possibility of being invaded if the country lost its sea power. Viewed from the sea battle during the Sino-Japanese war of 1894-1895, the then Chinese Government did not even have the slightest concept of offshore defense, let alone venturing out into the ocean for sea power. This determined the fate of modern-day China.

Democratic revolutionary trailblazer Sun Yat-sen was aware of this. During the early days of the establishment of the Republic of China, he intended to develop a Chinese Navy and strengthen China's sea power. But soon his presidential power fell into the hands of Yuan Shi-kai, and while attending the memorial meeting of the then Naval Chief Commander, Huang Chung-ying, Sun Yat-sen could only sigh and ask helplessly about the



country's "sea power in East Asia." In the thirties, the Kuomintang Government tried to develop a "small fleet" by relying on British and U.S. naval forces in an attempt to resist foreign aggression at sea "without taking an offensive." This was very, very far from the concept of sea power. When the War of Resistance Against Japanese Aggression broke out, Chinese naval vessels either sank or became targets for Japanese planes.

The People's Navy built up prior to the founding of New China has gradually developed in the course of struggle and has formed many kinds of arms with a preliminary modern scale of offshore defense capacity. But so far it has not gone beyond the pattern of "fort fleet" that was negated by Mahan 100 years ago. It still lacks the ability and means to defend the country's vast territorial waters.

As a maritime nation, China should not build its Navy by putting its feet on top of the mainsail and casting its eyes down at the land. It should not lose sight of the Chinese sea, still less should it lose sight of the ocean.

Socialist China will never invade another country, but this does not mean that it should not develop the ability to fight against aggressors. If they come from the sea, the antiaggression war should be fought at sea and powerful counterattacks launched against the enemy.

Since the emergence of ship-based air units at the beginning of this century, practice has time and again proven that without the sea power to control territorial air space, there can be no power to control the sea; the power to control the sea falls into an entity in which sea power controls air space. Ship-based air units are the principal part of the Navy's air units, and aircraft carriers are sea bases indispensable to air units' activities. In the final analysis, whether to develop aircraft carriers or not is a question of whether to keep the power to control air space and a question of whether to keep sea power. This question has an important bearing on whether China can fundamentally improve its sea combat capacity. If it can do so, it will prevent foreign powers from carving out China's territorial waters.

China needs sea power. In invigorating the Chinese nation, it is necessary to improve the country's maritime force relevant to its sea strategy and to do a good job in building a modernized naval force.

**JIEFANGJUN BAO Commentary on Lei Feng**  
HK2303044289 Beijing JIEFANGJUN BAO  
in Chinese 5 Mar 89 p 1

["Sunday Commentary" by Hua Nan (0553 0589):  
"Talking About Lei Feng Amid the Spring Breeze in March"]

[Text] This day 26 years ago, the inscription "Learn from Lei Feng" written by Comrade Mao Zedong was published. In that year, initiated by Mao Zedong, Zhou Enlai, Liu Shaoqi, Zhu De, and other revolutionaries of

the older generation, extensive activities to learn from Lei Feng was launched in the Army and across the country. Lei Feng's spirit struck root in the hearts of the people. Many comrades still have a fresh memory of the activities which spread like wildfire.

Do we still have to learn from Lei Feng after entering a new historical stage? This question has been discussed a lot. Some people held that Lei Feng lived in the early sixties and it is now close to the end of the eighties. Therefore, Lei Feng should keep abreast of the times before we learn from him. Consequently, some comrades with good intentions attempted to rebuild Lei Feng's image. In the past, to show how Lei Feng worked hard and lived a plain life, his patched clothes and repeatedly-patched socks were exhibited. At present, we should talk about how Lei Feng was capable of earning money, how he appropriately spent what he earned, and how he paid attention to outward appearance. His Swiss-made watch and leather jacket should be exhibited. Some people even said with certainty that if Lei Feng were still alive, he would surely be found among forerunners who contribute to the development of the commodity economy. Even if he were not an entrepreneur, he would be earning at least 10,000 yuan a year, and so on and so forth.

I think that it is indeed not necessary to have a Lei Feng who keeps abreast of the times; such an idea is even ridiculous. Everybody knows that to publicize and recommend an advanced person is different from literary creation, and fabrication and exaggeration should not be used. An important lesson we should draw from publicizing typical advanced persons in the past is that we sometimes did not strictly proceed from typical deeds of those persons, but proceeded from the needs of political movements, went along with, or followed, trends, and did not adhere to the principle of seeking truth from facts. For example, when the idea of heeding the voice of the party was stressed, how a certain typical character diligently studied "On How To Be a Good Communist" would be excessively dwelt on; and when "consciousness of class struggle" was emphasized, tales would be cooked up about how he indignantly criticized the same book "On How To Be a Good Communist." How could people refrain from casting doubts about an advanced person if that person was molded like clay at will?

Lei Feng was a character with flesh and blood. What some comrades said was quite correct: To truly learn from Lei Feng, we must learn from the true Lei Feng. A typical person is valuable only if he is a true person. Only if what is publicized about an advanced character is believable will the desire to learn from him be awakened. The chief reason that Lei Feng is respected by thousands upon thousands of people and why his powerful spiritual influence has always remained with the later generation is his ways of conducting himself in society and his wise words and exemplary conduct, and not the result of portrayal by anyone. In short, his noble spirit of wholeheartedly serving the people, taking delight in helping others, boldly contributing, selflessly working for public

interests, and working hard, all his life has made a deep impression upon the people. If we put aside his lifelong glorious achievements, and if we arbitrarily add other things to him, we are not taking a solemn attitude towards historical materialism.

Like other advanced people, Lei Feng is the product of a specific historical time and social environment. We should not expect advanced characters to be perfect in all aspects. Nor should we expect "to find whatever we want" in Lei Feng. Lei Feng left us more than 20 years ago. Practice in revolution and construction is continuously developing and people's ideological concepts are constantly being updated. "Nothing can remain unchanged forever." In the new historical period, reform, opening to the outside world, and the practice of developing the socialist commodity economy will inevitably bring up a generation of new typical characters. How can we expect the specific words and deeds of a person who died long ago to "lead the trends of our time" forever?

Now we come back to the question put forward at the beginning of this article: Should we still learn from Lei Feng today? The answer is positive. Reality has proved that the main aspects of Lei Feng's spirit are not outdated in the least. His love for the motherland and the people, his loyalty to our cause, his diligence in study, his honest style, his selfless devotion, and so on, have a deep and real significance to us in overcoming unhealthy trends, improving common social practices, and building socialist spiritual civilization. While commemorating the 26th anniversary of the publication of Comrade Mao Zedong's inscription calling for learning from Lei Feng, I think it is absolutely necessary, appropriate, and timely to once more call for inheriting and carrying forward Lei Feng's spirit.

**Commentator on PLA Families' Residential Rights**  
HK2403123589 Beijing JIEFANGJUN BAO  
in Chinese 18 Mar 89 p 1

[Commentator's article: "An Important Policy Decision To Strengthen the Building of Border and Coastal Defense Units"]

[Text] The State Council and the Central Military Commission have recently issued a notice on granting urban residential rights to the families of PLA officers of border and coastal defense units and on assisting the families of PLA officers of border and coastal defense units to find jobs in urban areas. This decision has given expression to the great concern the party and the state have shown for PLA building and for PLA officers stationed in border and coastal areas. Therefore, this decision has been warmly supported and praised by both PLA officers and PLA soldiers. The implementation of this notice will no doubt help to stabilize the ideology of the broad masses of PLA officers and promote the building and development of the PLA border and coastal defense units.

In order to build our country into a strong country, we should develop a strong border defense capability. Only by developing a strong border defense capability will we be able to guarantee our national security. Our party and government have always attached great importance to the building of a strong border defense capability, have always shown great concern for the broad masses of PLA officers and soldiers stationed in border and coastal areas, and have adopted a series of special measures to this end. However, restricted by the backward regional conditions of our country, our border and coastal defense units still have many practical difficulties. For example, military families eligible to live with PLA units cannot live and work together with the PLA units concerned. The military families have had difficulties in sending their children to kindergartens and schools. In the face of these difficulties, the broad masses of PLA officers have not complained, but have silently endured these difficulties in a spirit of selfless devotion. The spirit of self-sacrifice displayed by PLA officers and soldiers stationed in border and coastal areas boils down to "devoting love, lives, and offspring" to China's border and coastal defense. The displaying of such a spirit of self-sacrifice has also brought to light the practical difficulties PLA officers and soldiers stationed in border and coastal areas encounter. Our party and government fully understand the difficulties the PLA officers and soldiers encounter and have tried their best to help border and coastal defense units to overcome their difficulties. This has been borne out by the implementation of a new policy adopted by the State Council and the Central Military Commission, which permits the families of PLA officers of border and coastal defense units to "move from the agricultural sector to the nonagricultural sector" in their native places. This new policy adopted by the State Council and the Central Military Commission is a policy of far-reaching significance to strengthening our country's border defense and guaranteeing our national security. Therefore, this policy has enjoyed popular support among the broad masses of PLA officers and soldiers as well as among ordinary people. The implementation of this new policy is also a contribution to the strengthening of our country's border defense. We should respond to the deep love and concern of our party, state, and people with our own actions.

Conscientiously implementing the notice issued by the State Council and the Central Military Commission is meticulous work concerning the immediate interests of PLA officers of border and coastal defense units and is bound to touch upon a wide range of issues. The State Council and the Central Military Commission have entrusted to the political organs of PLA units at and above division (or brigade) level the power to permit the families of PLA officers of border and coastal defense units to "move from the agricultural sector to the nonagricultural sector." This fully demonstrates the trust the State Council and the Central Military Commission place in the political organs of the PLA units concerned. The PLA departments concerned must make every possible effort to implement the relevant state policies and



regulations to the letter, conscientiously and carefully handle all types of practical problems, and guard against irresponsibility and abuse of power in the process of implementing the notice issued by the State Council and the Central Military Commission. In the process of examining and approving the cases of families of PLA officers of border and coastal defense units "moving from the agricultural sector to the nonagricultural sector," the relevant political organs of the PLA units should respect the views of the leaders of local people's governments and hold consultations with the relevant departments of local people's governments whenever problems arise in order to win the support of local people's governments. We believe that with the great support of local people's governments at all levels, we will certainly make our work of implementing the notice issued by the State Council and the Central Military Commission a complete success.

**General Hong Xuezhong Inspects Troops in Zhejiang**  
OW2803064489 Hangzhou Zhejiang Provincial Service  
in Mandarin 1000 GMT 15 Mar 89

[From the "Provincial Hookup" program]

[Text] From 9 to 15 March, General Hong Xuezhong, vice secretary general of the Central Military Commission, inspected Army, Navy, and Air Force units in Zhejiang, exhorting all officers and men stationed in the outposts of the East Sea to bear in mind the cause of the PLA, to spontaneously show respect for local governments and the masses, to work hard, and to take pride in making contributions. Hong Xuezhong said: Local governments are very concerned about troop building, and have done many practical things beneficial to the military. Relations between the military and civilians are good. Military units in all localities need local governments' help in solving many problems. For example, the housing problem for families of military cadres, the schooling problem for children of military personnel, and resettlement of demobilized military cadres. Comrades in the military should be more understanding about difficulties of local government in solving these problems, and should not ask for too much. In this respect, provincial military district authorities, military subdistrict authorities, and People's Armed Force departments, as military organs of local governments, should take the initiative in serving as a bridge between local military units and local governments. They should regularly brief local party committees and governments on local military units' situation, make opinions and requests of local party committees and governments known to the higher authorities and their subordinate units, act as a bridge between local military units and local governments, and do their best to solve problems of military personnel and their families. All this should be a part of a provincial military district's work.

Hong Xuezhong said: We should strengthen Army-police-civilian joint defense, protect military installations, and enhance our coastal defense capability. In addition, we

should select capable cadres for small grass-roots coastal defense units located alone in various localities, and pay attention to solving their practical problems.

Speaking of conscription work, Hong Xuezhong stressed: Both military and local authorities should give primary consideration to strengthening national defense. They should work hand in hand, and make serious efforts to ensure the quality of new recruits.

During his troop-inspection tour of Zhejiang, Hong Xuezhong also called on retired veteran military cadres in Hangzhou, and had wide contacts and exchanges with local military cadres and fighters. General Xiang Shouzhong, commander of the Nanjing Military Region; and Lieutenant General Shi Yuxiao, deputy political commissar of the Nanjing Military Region, accompanied Hong Xuezhong in inspecting troops in Zhejiang.

## Economic & Agriculture

**Commentator Views Economic Readjustment**  
HK2803090489 Beijing LIAOWANG in Chinese  
No 12, 20 Mar 89 p 3

[Commentator's Article: "Get Mobilized To Step Up Improvement and Rectification"]

[Text] At the Second Session of the Seventh National People's Congress and the Second Session of the Chinese People's Political Consultative Conference [CPPCC] Seventh National Committee, the policy of improving the economic environment, rectifying the economic order, and deepening reform is the topic for discussion of representatives and committee members. The current economic readjustment has an important bearing on China's reforms and construction.

China has been carrying out reform for 10 years. The decade-long reform has brought the people's unprecedented enthusiasm and creativity into play, greatly expanded the productive forces, built up the economic forces considerably, and markedly improved the people's livelihood. Several days ago the State Statistical Bureau put out the "Statistical Bulletin on the National Economy and Social Development." The bulletin quotes a series of figures to show China's economic and social developments for 1988: China's national economy continued to grow and both the gross national product and national income increased by 11 percent over the previous year; the economic restructuring went on in depth; the enterprise contract system was improving; there was higher productivity; the market expanded; the door was opened wider to the outside world with the total volume of import and export trade topping \$100 billion for the first time; there was a comparatively great increase in foreign funded enterprises in China; and headway was made in education, science and technology, culture, sports, public health, and in other undertakings.



Aside from the achievements mentioned above, the bulletin also discloses grave problems and difficulties facing us. They are mainly: The excessive economic growth and excessive investment which the nation is unable to bear; the excessive demand for consumption which exceeds the growth in the national income and productivity; the imbalance of the economic structure which aggravates the strain on energy, raw and semifinished materials, and transport capacity; the state's failure to make ends meet; the excessive volume of credit; and the excessive money supply, which has fanned inflation causing great anxiety among the masses.

How has this situation come about? It seems there are two causes: One is that since China is at present in a period of transition from the old system to the new, a self-regulation and self-restraint mechanism has yet to be formed; another is that we have made mistakes over the last few years. The mistakes mainly consist of: Eagerness for immediate success in economic construction and social development; arbitrary extension in construction and the tendency to concentrate on speed; a lack of sufficient understanding of the difficulty and complexity of the reform and failure to pay enough attention to comprehensive supporting measures; not being resolute in carrying out the policy of stabilizing the economy and deepening the reform; and failure to take into full account, the people's financial ability to bear reform when adopting some measures for price reforms.

The decision adopted by the central authorities to shift the focus of reform and construction in the coming 2 years to improving the economic environment and rectifying the economic order is based on the accurate estimation of China's economic situation and existing problems. The objectives of the improvement and rectification are: Slowing down economic growth, cutting down investment in fixed assets, alleviating the contradiction between total social demand and supply, readjusting the industrial structure, setting up and improving economic statutes, macroeconomic regulatory and control system, and supervisory system, and building a new order of socialist commodity economy. But the most important task at present is to hold the swelling social demand in check.

Reform is an arduous and complicated task, and so is improvement and rectification. On the one hand, we have to curb inflation, to slow down economic growth, to rationalize the economic structure, and so on. To achieve this we have to do a large amount of work and adopt effective measures otherwise we will not be able to stabilize and develop the economy, to deepen the reforms, and consolidate the results we have gained. On the other, new contradictions and difficulties are bound to crop up in the process of improvement and rectification. It is necessary to rationally resolve these contradictions and problems in time, or they will have an adverse effect on the improvement and rectification. This requires every one of us to understand the necessity and urgency of the improvement and rectification and again

to be determined, be firm and unshakable, and press forward in the face of difficulties so that we can achieve our intended objectives. We should be aware that 2 years is only a short span while the tasks are arduous. We must not slacken our efforts and be irresolute.

Our experience in the revolution and construction tells us that the more difficult conditions are, the more necessary it is for the leadership and the rank and file to be of one mind, unite as one, and struggle for a common aim so that we can win a victory. Therefore, it is of great importance at present to heighten our sense of discipline and strictly enforce orders and prohibitions. The practice of "countering a central measure with a local one" or of carrying out the central policies perfunctorily as a mere matter of form, will only endanger the attempt to readjust the economy and cause the nation and the people greater losses. We should guard against this.

Our experience in the decade-long reform also tells us that the economic readjustment is to challenge the vested interest of some localities, departments, units, and people. It is essential that we take overall interests into account, partial interests be subordinated to overall ones, and temporary interests to long-range ones. In the event that every locality, department, and unit refuses to give up its vested interests which are harmful to overall interests, namely, what should be reduced refuses to be reduced, what should be abandoned refuses to be abandoned, and what should make way for others refuses to do so, the improvement and rectification will remain empty talk and the problems will remain.

In China today it is the outstripping of total social supply by total social demand that results in constraints in every field. It takes time and unremitting efforts to change this situation. It is unrealistic to expect everything to fall into place as soon as we start readjusting the economy. This is impossible while it is likely that the old contradictions and new ones will coexist for a short period. Therefore we should be mentally prepared to lead a hard life for several years and to pay a price. History has shown that a difficult period is inevitable for any country which carries out economic readjustment. We should make this point clear to the people and garner their support and appreciation.

Facts in the last 6 months have proved that our policy is correct and some measures are effective. What is needed at present is that the whole party and people are mobilized and insist on improving the economic environment and rectifying the economic order with one heart and one mind so that we can tide over the difficulties and win new victories.

#### **'Urgent' Problems in Economic Environment Viewed**

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[Article by Gao Yan (7559 1484), Liu Wen (0491 2429) Tang Bofei (0781 2672 7378) and Yin Shanwen (3009 0810 2429), edited by Pan Shucheng (3382 6615 3397): "Several Problems Urgently Awaiting Resolution in Improving the Economic Environment"]

[Text] Over the last few years, our country's national

economy has maintained a fine development situation. Industrial production has continued growing at a high speed and economic benefits have improved. Obvious results have been gained with the output related agricultural household responsibility system, the output volume of major agricultural and sideline products has continually increased and the lives of urban and rural residents have been further improved. However, as our country is now at a stage where there is a change taking place from the old system to the new, the difficulties and problems which exist are certainly quite numerous. The most prominent of these is the clearly evident inflation which has occurred in the economy and the great increase in prices. The basic cause of this situation is economic over-heating and total social demand exceeding total social supply. At present, in seriously carrying out the work of "improving the economic environment, rectifying the economic order and further deepening reform in an all-around way" as required by the central authorities, the following problems urgently require resolution.

**I. Overcoming the Phenomenon of Economic Over-Heating and Maintaining an Appropriate Growth of Industrial Production in a Sustained and Stable Way**

The speed of growth in industrial production has always been a question on which economists have held different views and which has been a subject of much contention. In the past, our country's industrial production has seen several major growths and declines. Taking just the last few years as an example, in 1981 because of readjustment in the national economy, industrial production only grew 4.1 percent. In 1984 and 1985, industrial production grew at excessive speeds, increasing 14 percent and 18 percent respectively. In the first quarter of 1986, the brakes were applied and the growth was only 4.4 percent over the same period in the previous year. The great rises and falls in industrial production are not only not beneficial to the sustained and stable growth of the national economy, but not beneficial to improving the results of the industrial economy.

Last year, the signs high speed of growth again appeared in our country's industrial production. From January to September, the cumulative gross industrial output completed reached 883.3 billion yuan, a 17.5 percent increase on the same period in the preceding year. The figure for gross industrial output value in September was particularly notable as, at 108 billion yuan, it represented a 20.2 percent growth on the same month in the previous year. Also, the daily output level was up 11.1 percent over the previous month. These all show that industrial production is at the peak of over-heated growth. Thus, controlling the speed of growth of industrial production has become an important part of improving the economic environment at present.

The major factors in the high speed of growth in industrial production are:

A. The pull of over-heated market demand.

Over-heated market demand and the tides of panic buying are major reasons for the over-heated growth in industrial production. Under the powerful pull of market demand, growth of industrial production accelerates time after time. In addition, industrial growth exceeds the lead, and the growth in energy and resources is insufficient, which means that the contradictions of an irrational production structure become daily more obvious. Thus, there is a need to control the speed of industrial growth and, in basic terms, the first thing to be done is to control the over-heated social demand.

Although industrial growth has been high, as demand has been very great, reserve stocks have been depleted. Of the 56 major products statistically monitored by the Ministry of Commerce, the reserve stocks of over 40 of these were down on the same period in the previous year. This shows that the pull of the over-heated demand is an important factor in the high speed of industrial growth.

B. The investment in fixed assets over the last few years has formed production capacity, creating beneficial conditions for a high speed of growth in industrial production. During the period of the Sixth 5-Year Plan, the newly added fixed assets of whole people ownership enterprises had a total value of 251.6 billion yuan, up 44 percent over the period of the Fifth 5-Year Plan. In 1986 and 1987, the figures for this growth were respectively 93 billion and 88.6 billion yuan. Thus, in these 2 years, fixed assets equivalent to 72.2 percent of those added during the Sixth 5-Year Plan, were added. There has been a very great growth in production capacity through capital construction, especially over the last 3 years.

C. In order to meet the price rises in major means of production and complete their contracted profit targets, enterprises need to increase their production by a certain scale. Under the existing scientific and technological level, as well as the management level in our country, enterprises generally rely on speedy growth to keep down the fixed costs of the unit product and improve economic benefits. According to statistics from relevant departments, the purchase prices of raw and semifinished materials, fuel and labor paid by industrial enterprises throughout the country grew annually over the 1985-87 period by 18 percent, 9.46 percent and 11 percent respectively. On this basis, last year in March and May these prices rose by 13.8 percent and 16.3 percent respectively over the same periods in the previous year. The rise in the price of means of production has meant that the marginal profit rate of the enterprises' unit product has declined. Thus, in order to complete their contracted profit targets, under the impetus of the interests mechanism they must accelerate the rate at which their production grows. A high speed of growth in industrial production and an increase in market supply, to a certain degree reduce the gap between supply and demand and, at the same time, this increases enterprises' capacity to absorb rises in the price of the means of production. However, the quite swift industrial growth brings with it a number of problems:



### I. Economic benefits await improvement.

In the first half of last year, the economic benefits of industry saw a definite improvement over the same period in 1987, but there is still much potential for improvement. For example, the stable reduction rate [wen ding jiang di lu 4489 1353 7100 0144 3764] for the consumption of major raw materials and fuel was only 63.8 percent, down 4.8 percent on the same period in the previous year. The stable reduction rate for energy consumption targets was 53.1 percent, down 6.1 percent. Comparable product costs have remained high and, on the basis of the 6 percent rise in 1987, there was another rise of 8 percent in the first half of last year. Some enterprises simply stress the effects of price rises in materials and fuels and pay no attention to the "qualitative differential" of wastage resulting from poor operational management, something which is hidden behind the "price differentials." The sales, profits and tax rates of whole people ownership enterprises fell 1.04 percent as compared with the same period in 1987.

### 2. The basic energy, communications and raw materials industries cannot keep up with the high speed growth in the manufacturing industry.

In the first half of last year, the total volume of energy production was 4.6 percent up on the same period in 1987, the total volume of goods transported grew 4.6 percent, the production of steel products grew 9.8 percent and the output of 10 types of non-ferrous metals grew 7.8 percent. Meanwhile, the output value of township and village enterprises, which are mainly comprised of manufacturing industries, and of other types of enterprises, grew by 32.8 percent and 55.3 percent respectively. According to statistics from relevant departments, at the end of March last year, of the reserve stocks of 29 major goods or materials throughout the country, 20 had seen a decline as compared with the beginning of the year. Although the volume of electricity generated and volume of freight sent by railroad had grown by 12 percent and 5.2 percent respectively over the previous year and these have supported the development of industry overall, some electricity grids and railways are now operating in overload situations. If they are not subject to normal examination and repair, it will be disadvantageous to safe production and the sustained and stable growth of the economy.

### 3. Industrial circulating funds credit has grown too swiftly.

Last year from January to August, industrial circulating funds credit grew 34.126 billion yuan over the figure at the end of the previous year, an increase of 21.611 billion yuan over the growth during the same period in the preceding year. This represented a 48.1 percent increase in the circulating funds of all projects during the same period. In past years, circulating funds credit either fell or rose only slightly during the first half of the year, but last year there was a huge increase. In a situation where

there has been a large increase in industrial circulating funds credit, many areas and enterprises still feel that there are insufficient circulating funds and the contradiction between the supply of and demand for funds has become more prominent.

The speed of growth in industrial production is subject to the restrictions of resources and demand. Because of the many differences in the production conditions of the various regions, departments and enterprises, a unitary speed of growth in production cannot be set down. However, we should proceed from reality, maintain proportional coordination and seek quite high economic benefits so as to maintain appropriate, sustained and stable growth in the national economy. To this end, in the area of macroeconomic control we should pay attention to the following:

a. In terms of circulating funds credit, under the precondition of restricting the total volume and in accordance with the guidance of state industrial policies, we should readjust the credit structure, select the superior and allow the inferior to be weeded out and raise the use benefits of funds.

b. In the reform of prices, we should further increase the prices of electricity, oil and transport, so as to raise the capacity of these sectors to transform themselves and draw in investment.

c. In the financial and taxation sectors, we should appropriately raise the tax rates on manufactured products in abundance and restrict their development. For products in short supply which are urgently needed, we should appropriately lower the tax rates and give them support.

## II. Controlling the Scale of Investment and Readjusting the Investment Structure

Controlling the scale of investment and readjusting the investment structure are important tasks in macroeconomic control at present. At present, the scale of investment is too great, manifested as a rise in national fixed asset investment of 18.67 percent and 16.5 percent for 1986 and 1987 respectively. In the period January to May 1988, capital construction investment by whole-people ownership units grew 13.9 percent, and in this there was a 14.4 percent decline in state investment. In extra budgetary investment, domestic credit grew 19.9 percent, the use of foreign credit grew 83.3 percent and self-raised funds grew 23.7 percent. Newly started projects were not subject to control. In 1988, the State Council stated that no new projects could be started except for electricity projects, related coal and communications projects, and those for which contracts had already been signed, which involved foreign partners and which could not be stopped. However, in the first 5 months of that year, there were still 5,592 new projects



started. At present, there are 32,094 projects under construction by whole-people ownership units and the total scale of investment has reached 528.6 billion yuan.

The excessive scale of investment is mainly due to the fact that there are too many projects outside the plan. These projects exceed the state's capacity and exacerbate the supply demand contradiction in the means of production. At the same time, 40 percent of the investment funds will become consumption funds, meaning that the supply demand contradiction in the means of livelihood will become more prominent and this will promote the rise of prices. Because of the rigidity of the scale of investment, and the difficulty of money tightening policies in achieving effective results, the situation where it is difficult to cutback on circulating funds means that the issue of money has to be expanded. Thus, if we are to ensure that a general balance is realized between total social demand and total social supply, we must control the scale of investment.

In controlling the scale of investment, there first needs to be control of overall volumes. For a fixed period, investment plans need to be established in accordance with state strengths, and the overall scale of fixed asset investment for the whole society needs to be determined. This will include capital construction investment and investment for transformation; it will include investment by whole-people units and investment by collectives, individuals, private operations and foreign firms; it will include alliances between the various economic components as well as an examination of the scale of investment of every region and every department. Any entity which goes beyond the investment plans should have its scale of investment cut in the subsequent year. The financial and banking departments should coordinate, so as to prevent the large-scale issue of investment credit, and allow the scale of investment to be controlled within a suitable range.

Another problem in the investment inflation is that the investment structure is not rational. Following the reform of the financial structure, extrabudgetary funds and dispersed funds in society have grown enormously and are already larger than budgeted funds. The investment orientation for these funds is mainly manufacturing industries which produce products with high prices and large profits and in which the results of investment are seen in a short period. At present, our country's energy, raw materials and communications and transport are extremely backward and the state has, through many avenues, raised funds to strengthen construction in these areas. In 1987, these areas constituted 53.3 percent of whole-people ownership capital construction. However, at the same time, as a large amount of extra budgetary funds are flooded into manufacturing industry, the development of manufacturing industry was even more vigorous. This has resulted not only in the investment structure problem remaining unresolved, but also in the exacerbation of the inflationary growth of the scale of investment.

In a situation where investment principals are becoming more diverse and existing on different levels, if macroeconomic management is not strengthened, it will be difficult to get rid of the irrational investment structure. In readjusting the investment structure, it is necessary to set down realistic investment policies and industrial policies. The various comprehensive departments must earnestly strengthen their forecasting of market demand and regularly analyze technological and economic trends both domestically and abroad. Then in the light of our national situation, they should formulate major industrial policies and provide, in a timely way, industrial information on demand growth or restriction. At the same time, the pricing system will have to be put in order and the prices of commodity prices controlled by the state should as far as possible reflect commodity prices and allow a certain profit, so as to provide accurate information for investment activities.

In a situation where the investment principals are becoming more diverse and of different levels, the movement of monetary funds plays a role as a guide for the movement of goods and materials. Thus, in readjusting the investment structure, it is necessary to pay attention to the direction of flow of funds. Guidance and analysis of the areas to which the various types of funds flow should be carried out, and for the dispersed funds in society, channels by which they can be centralized should be opened, so as to guide them to areas where there is a social need but insufficient funds. This year, the scale of fixed asset investment throughout the society has to be cutback by 50 billion yuan, approximately equivalent to 20 percent of the scale of actual investment last year. The only option is large-scale cutbacks. Small-scale cutbacks will not work. We need to get rid of unnecessary, non-productive construction and duplicate construction and those projects which are extravagant or wasteful with group purchasing power. For key industries, slanted policies should be adopted and for projects which involve foreign parties, we should adopt policies to protect them. Thus, in an earnest and rational way, we can readjust the investment structure and truly take control of the scale of investment of the whole society.

A. The issue of key construction bonds. At present, there are quite a number of entities which are issuing bonds to carry out construction. This both reduces the function of banks as sources of funds and encourages blind construction, and should be restricted. In future, bonds should be issued by the state in a planned and unified way, so as to facilitate the centralization of some extra budgetary funds for use in key construction required by the state.

B. The practice of repaying credit before taxation is levied needs to be gradually changed. We could consider beginning with investment projects outside the plans and gradually abolish the repayment of credit prior to tax levying.

C. There is a need to institute differential interest rates. Low interest or deduction interest should be instituted for key industries, the development of which is being

encouraged. For those which have difficulty raising their own funds, the restriction which requires the raising of 10 to 30 percent of funds by oneself before credit is given might be relaxed. In cases where there are industries which it is appropriate to restrict or when there is duplicate construction projects, high interest rates or refusal of credit could be considered.

D. An investment tax could be levied. An investment tax of varying rates for different industries could be instituted. A fairly high rate of investment tax could be levied on projects which will increase products in full supply or which involve the building of various types of halls and non-productive buildings, so as to restrict their development. Projects which involve development of energy, raw materials, communications and transport could be exempted the investment tax or be levied at a low rate, so as to readjust the investment structure.

E. We must firmly cutback on non-productive investment and sort out the projects which involve the building of halls and other non-productive buildings.

### III. Controlling the Growth of Consumption Funds and Guiding the Transfer of Consumption Funds

In a situation of inflated total social demand, there is a great increase in consumption funds, which means that the speed of growth in consumption exceeds the speed of growth in labor productivity. Although the controlling of consumption funds is stressed every year, little effect has been achieved. There thus continually appears a great volume of purchasing power which it is difficult to realize. This seriously affects the stable growth of our country's economy and has brought very great difficulties to the reforms.

The reasons for the excessively swift growth in consumption funds are: 1. The economic "overheating" has promoted a swift growth in consumption funds; 2. After enterprises were contracted out, property rights relationships were unclear and enterprise actions were short-term in nature. Strong macroeconomic management measures were also lacking and this resulted in control over consumption funds being lost; 3. Prices continued to rise and all areas, in order to stabilize the mood of the staff and workers, linked their own consumption expenditures with prices, resulting in a large amount of bonuses and subsidies being provided. In the last few years there have been a wide range of wage subsidies and allowances with all manner of names. There has also been a rapid rise in bonuses, averaging an annual growth of close to 40 percent, which is far in excess of the speed of development in production. Last year there were other factors for the great increase in consumption funds, such as covert subsidies becoming overt subsidies, the redemption of contract enterprise bonuses, allowing scientists and technicians to take on second jobs, initiating income in cultural, educational and health fields, and so on. The "covert to overt" change added about 1.5 billion yuan monthly, or 18 billion yuan per year.

In order to strictly control the excessively swift growth in consumption funds, we need to adopt the following measures:

A. Consumption funds should be changed into construction funds. Our country is now in the pioneering stage of socialist modernization and there is a need to accumulate a large volume of construction funds. We need to long persist in the principle of being hard working and thrifty in all undertakings and must not consume excessively. In the next 3 to 5 years, we need to carry out quite major price and wage reforms. If the issue of money is excessive, it will lead to inflation which will increase the difficulty of price reform. If the retrenchment is excessive, it will also bring unforeseen problems. The way to resolve this is to draw in, in various ways, the surplus funds of the people to purchase shares, bonds, and houses and transfer some of the cash into construction funds. If we are able to achieve this, capital construction will not be suppressed too far, fewer securities can be issued, the people's purchasing power can be reduced and some of the construction funds can be realized. In this ways benefit can be derived on two sides; the pressure on the market will be minor and the effects of the cutting back will likewise not be too great. This will thereby create conditions for price reform.

B. Strengthening taxation work. There must be strict levying of tax on bonuses which are issued by units in excess of standards. Excessively high income of operators who have leased operations, individuals, specialized households and other members of society should be subject to personal income tax and regulatory tax in accordance with the law.

C. Firm measures should be adopted to cut back group purchasing power and limit extravagance and waste so as to reduce financial expenditure, alleviate pressure on the market and put an end to improper and wasteful practices.

D. The supervisory and inspection roles of the procuratorial, auditing and discipline inspection departments should be brought into play, so as to firmly control the high consumption of social groups, and curb improper bonuses, subsidies and gifts. Violators should be subject to economic sanctions and blame should be assigned to the leaders.

### IV. Strictly Controlling the Volume of Money Issued

In the process by which the new systems replace the old, the macroeconomic control mechanisms and microeconomic restriction mechanisms are not complete, and thus the problem of demand inflation has not been basically resolved. This has led in recent years to where the problem of the volume of money supply exceeding economic growth has become quite prominent. This has led to inflation, which has had a very detrimental effect on the sustained and stable development of the economy and the deepening of reform.



The major factor creating the situation of money supply growing in excess of economic development, of control being lost over credit and money and of the occurrence of inflation is the wild growth in consumption funds and the excessively swift growth in the economy. At the same time, other factors include the fact that the macroeconomic control mechanisms of banks are not complete and there is no medium- or long-term money policy. The excessive issue of money will provide increased difficulties and dangers for future economic stability and the smooth implementation of pricing reforms. This will not be of benefit to a stable market or a stable society. Thus, we must control money. However, in controlling money, it is difficult to achieve any effect just by relying on the banks. There needs to be joint understanding and unified policies on all sides, and effective measures should be taken together. As far as banks are concerned, we need to establish a complete macroeconomic control mechanism for money and guarantee a long-term stable monetary policy so as to ensure a normal and appropriate growth in money. In accordance with the spirit of the 3d Plenary Session of the 13th CPC Central Committee, we need to adopt a series of measures to stabilize finances, strictly control the issue of money and do well in guaranteeing the value of savings. We should open up many avenues, including the sale of public housing and the issue of shares and bonds to draw in the floating funds of society and guide the flow of purchasing power.

A. On the basis of establishing a banking system which has the central bank as its center, which has state specialized banks as its main components, which involves the many types of financial organs and coordinated division of work, the central bank should reduce as far as possible direct administrative management of macroeconomic banking activities and should gradually realize an indirect management regulation and control system which mainly uses economic measures: 1. The Central Bank will no longer pass down re-credit quotas for each level, but rather, in accordance with the needs of macroeconomic development, will directly issue to the headquarters of each specialized bank an amount for that bank to re-issue as credit. The first- and second-level People's Bank branches will, in accordance with the economic development needs of the various administrative regions, be able to re-issue credit to relevant basic level specialized banks. The specialized banks will, taking the interest rate for the re-issued credit as a standard, establish a floating interest rate system. 2. The Central Bank should actively participate in short-term financing activities in the funds market, and through re-issue of credit and readjusting the re-discount rate, the market fund prices can be kept down. 3. The Central Bank should create a floating link between the volume of money supply, the appropriate degree of economic development and deposit reserve fund rates. For different specialized banks and different types of deposits, different deposit reserve fund rates can be set down. The Central Bank will be able, through readjusting the deposit reserve fund rates, to tighten or relax the money situation in a timely way and stabilize the currency.

B. We should speed the reform of the system by which specialized banks operate and are managed, and establish specialized banks of a policy nature and specialized banks of an operational nature. Specialized banks of a policy nature will, through organizing the issue of credit, mainly be involved in implementing state industrial policies and optimizing the industrial structure. Specialized banks of an operational nature will implement enterprise operational management and, taking their goal as profits and using enterprises' economic results as the standard in assessing creditworthiness, will institute a bank manager responsibility system. They will be responsible for their own operations and be solely responsible for their own profits and losses. Further, any commercial banks which are established in future, should be arranged by economic regions, so as to free them from administrative interference from local governments.

C. A system of laws and regulations for controlling the issue of money should be established. While strengthening the function of the Central Bank in implementing money policies and having it change from a purely money supply organ into a monetary control organ, we should establish an appropriate system of policies, laws and regulations. Thereby it will be possible to stipulate that the volume of money supply will be lower than the sum of the growth in GNP and the state-planned price readjustment index. Gradually, the power to make decisions on the issue of money and the actual power to implement decisions on the issue of money will be separated. Initially, we can in the short-term have the Central Bank put forward plans for the issue of money which will have to be deliberated on and passed by the State Planning Commission and reported to the State Council for approval. When the various socioeconomic mechanisms are complete, the plans for the issue of money should be examined and approved by the NPC. Once they are approved, no entity, without the consent of the NPC, should be able to arbitrarily readjust or exceed these plans. The head of the Central Bank should have full powers and responsibility in this matter.

**Positive Effects of Labor Flow Examined**  
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*in Chinese 20 Mar 89*

[Article by Hai Yin (3189 7299): "Discussing the Current Labor Flow in Urban and Rural Areas"]

[Text] Recently, the human tide of nonregular laborer flow has become a hot topic for the media. Due to various factors, certain control measures must be taken to deal with this flow. But from a long-term point of view we need to analyze coolly its deep causes, background and trend of development. First we should recognize that the current flow of rural labor is a historical progress compared with the previous peasant labor condition, when it was administratively stifled and nailed down. The significance of this change in the development of our people and society and in realizing the socialization,



modernization of our economy and turning it into a commodity mode cannot be more profound. The Guangdong experience is very good proof. If there had not been thousands of Chinese working overseas, the prosperous situation as witnessed today might not have taken place.

The basic rural situation in China is: 800 million of the rural population, of which there are close to 400 million of an active labor force, are living on 1.5 billion mu of arable land. Such limited arable land is under the heavy pressure of "overloading." The contradiction between arable land and population is sharper along the eastern coastal region. Originally man as a working animal was the most active production element. But before the 3rd Session of the 11th CPC Central Committee, the labor force potentials were severely restricted by the limited land. But once the all-around contracting system was implemented, peasants were given production and sales decisionmaking power and became, relatively speaking, independent commodity producers. The limited area of contracted land could no longer provide enough scope for the entire peasant labor force. Given the peasants' desire for prosperity and expansion, and the party and state encouragement to develop commodity economy, it is natural that the outflow of surplus labor force from rural areas cannot, once started, be contained.

In the decade following reform, the flow of rural surplus labor force, numbering tens of thousands of people, have made effective onslaughts on barriers separating urban and rural areas, which were created by the dualistic social and economic structure under the old system. The flow has improved, macroscopically, the whole structure of the urban and rural labor force, consolidated the army of enterprises and industries, which make up one important wing in our national economy, and eased many problems concerning daily life in urban and rural areas as a result of weak tertiary production over the years. During the process, the experience of traveling has also generally strengthened the sense of commodity economy in peasants, raised their quality and quickened their progress toward modernization.

But events have not developed evenly. Because of different paces of economic structural reforms in urban and rural economies, although rural surplus labor force has made strong impacts on cities, the production sets, policies and rules and regulations established over the years in cities cannot quickly adapt to the change. In fact, they lag considerably behind the change, and often show an obstinate tendency of resistance and view this as a conflict of interest. Indeed, from whatever point of view, it is difficult to say that our transportation system, though planned in detail, has taken into consideration peasants' long-term needs, who account for 80 percent of the national population. There are similar situations in the supply conditions of grains, oil, foodstuffs, and in law and order, cultural affairs, education and public health, birth control and so on.

In particular, since the improvement and rectification and the straightening out of capital construction in the macroscopic national economy started last winter and this spring, employment in building sectors has decreased drastically, creating a very severe and complicated situation in the flows of labor force across the country. In some cities and industries, flows of the labor force are stuck and fluctuated there. Moreover some acts that cannot be said to be appropriate in the "improvement and rectification," for instance, the closing down of many budding labor markets pending improvement, have further aggravated and worsened the situation, causing many troubles.

So, calls for dissuading nonregular labor from blind movement have been made in some cities and industries. Such calls, coming from cities and industries bearing the brunt of nonregular labor, stand to reason and have many practical causes. However, these kind of calls, though accompanied by tough administrative measures, pale in front of this continuous onrush of the labor force. It is rather like trying to put out a big fire with a cup of water, and blocking floods with a handful of soil.

It is understandable that change from the previous closed, stagnant state and isolation from urban areas to an open, mobile state where the difference between rural and urban areas blur, will cause various discords and contradictions. The problem is whether we can understand these phenomena from the vantage point of history, whether we are working to advance this change (it will be a long process), and not whether we can drag progressive, growing things back into the old and fossilized framework.

At present, in order to keep the healthy development of the flow of the rural surplus labor force, we must prevent abrupt fluctuation and unnecessary losses in this area and make preparations for the next peak flow of the labor force. Considering the widespread rural areas, the backward communications means there and therefore the relatively slow obtaining of information by peasants, we should inform peasants as quickly as possible concerning the news about the development of the state's implementing the policy of improving and rectifying the national economy, and let peasants learn the current closely connected economic movements between urban and rural areas and learn to adapt to the fluctuation. There will not simply be a blockade or an obstruction. Moreover the flow of rural labor force should be allowed to run its course. This will protect the hard won incentive of peasants to develop commodity economy. For those cities and industries still in need of a rural surplus labor force, unified urban and rural labor market should gradually be established so that peasants have an equal opportunity to compete. As for peasants who have returned to their villages, this does not mean simply the returning of a labor force. It also means an opportunity to adjust the rural labor force structure, to create a good environment and let peasants of high quality to serve single mindedly. Peasants with qualified conditions can

be engaged in various agricultural services and organizations. The state can consider initiating some public works construction to absorb rural surplus labor force, and this can lay a foundation for long-term economic development.

In sum, in handling the flow of rural labor force, we should adopt an analytic attitude and understand it from a viewpoint that combines reality and the need of long-term development. If we treat only symptoms and deal with only phenomena, this may be all right for a while. But unavoidably such an approach will leave some incurable adverse aftereffects to the development of the whole economy and society, till at last we will be punished by the objective economic laws. We have had only too many experiences of this kind.

#### **RENMIN RIBAO Reviews Grain Problem**

HK2103123189 Beijing RENMIN RIBAO  
in Chinese 13 Mar 89 p 6

[Article by Sun Guohua (1327 0948 5478): "Talking about China's Grain Problem—Does Grain Still Occupy an Important Place? How To Look at the Grain Situation Facing China Today? What Are the Immediate Measures for Resolving the Grain Problem? How to Plan for the Long-Time Steady Development in Grain Production?"—]

[Text] Agriculture is the base of the national economy, and grain the base of bases. It is necessary to deepen our understanding of that old topic today

Agriculture is the base of the national economy, and grain the base of bases. This topic is anything but new, but it is still necessary for us to deepen our understanding of the issue under the new historical conditions. It is wrong to believe that the grain issue is no longer important because of the great progress made in China's industry along with the marked improvement in people's living standards and greater peasant income. In fact, grain demand is forever growing with economic development, population growth, and the gradual improvement in people's living standards. If we fail to find a better solution to the grain problem, the development in all other fields will be out of the question.

Grain output has greatly increased since the rural reform. However, the supply-demand contradiction has aggravated, with weak staying power in production. The possession of a per capita 400 kilogram [kg] of grain is an objective basis not to be neglected in formulating the strategy for economic and social development.

A cold fact facing grain production is the intensifying grain supply-demand contradiction. The contradiction finds expression in the slow increase in grain production and supply, accompanied by a too fast increase in grain consumption and demand.

A new stalemate in China's grain production surfaced in the wake of a new height scaled in 1984. The causes are manifold, the most important of which can be the mistakes in policy, resulting from the ignorance of grain production as the base. Following the extraordinary increase in China's grain output in 6 consecutive years since 1978, assessment of the grain production situation was somewhat overly optimistic. There were temporary difficulties in marketing grain in 1984. Policywise, however, no measures were taken to calm market fluctuations. Instead, tens of billions kg of grain in stock was dumped into the market at a low price, with subsidies axed, capital input cut back, and supply of agricultural production materials curtailed. Consequently, the peasants' enthusiasm for growing grain crops was gravely dampened. The changes in the comparative interests inside agriculture with the price increases of agricultural production means in recent years, in addition to the effects of natural disasters, the peasants' enthusiasm for growing grain crops has continued to wane, while the normal development of grain production has been affected.

Meanwhile, the general volume of grain consumption in society has remarkably increased in recent years. Bases on the high base figure of the year 1984, the gross consumption in society has exceeded the gross output in consecutive years, of which the volume of rations to the urban populace has grown rapidly, increasing by some 10 billion kg in 1987 over 1984. The growth in meat, poultry, and egg consumption has also ballooned the volume of grain consumption. Compared with 1984, the per capita pork consumption rose by 11.7 percent in 1987, poultry by 26.7 percent, and eggs by 42.2 percent. Hence, the increase in grain consumption by several billion kg. Especially, the growth in wine consumption is astounding, increasing by 59.3 percent in 1987 over 1984. The 1987 statistics showed that China turned out 4.31 million tons of liquor, and 5.4 million tons of beer. That consumed some 20 billion kg of grain, far exceeding the increased grain output volume in that particular year.

The fast growth in grain consumption and demand is chiefly owed to the wide margin of increase in the citizens' monetary income in recent years, the change in their diet, and the natural growth in the population as well as the absence of policies guiding grain consumption. China continues the policy of unified low prices in marketing grain at present, which has further aggravated the phenomenon in which purchasing prices exceed the marketing prices, with the government's financial burden continuing to increase. Moreover, this policy has, in a certain sense, encouraged grain consumption, especially the galloping of the processing industry with grain as raw material.

Another cold fact facing grain production is the weak staying power for grain production development. This finds conspicuous expression in the intensification of the factors restricting the development of grain production.



First, the ever diminishing area of arable land allows very little room for extending the area planted to grain crops. The area of arable land shrank by 51.25 million mu in 1987 from 1980. The area of per capita arable land shrank from 1.5 mu in 1980 to 1.33 mu in 1987. Moreover, the trend by which the area of arable land continues to shrink is not likely to change. Second, the ageing of the agricultural infrastructure, with the capability for resisting natural disasters weakening. Third, agricultural capital input has been cut back. Compared with the Fifth "5-Year Plan," investments in agricultural capital construction was axed by 29.8 percent in the Sixth "5-Year Plan." Investments remain insufficient in recent years. Fourth, the development of industry for agriculture purposes is slow, and supply of agricultural production materials is strained. And fifth, the weak foundation in agricultural science and technology fails to meet development's needs.

In addition, it is difficult to give play to the peasants' enthusiasm for grain production with the shrink in the comparative interests in grain production. This will also affect the staying power for increasing grain output. Recent years have seen great changes in the price relations inside farm produce, with income from grain production markedly lower than other crops. The price rise range of agricultural production means has been excessively great. In addition, the fringe benefits for grain production have markedly dropped with decreasing income derived from investments. With the changes in the rural production setup, the income derived from grain production is far less than the income of other trades such as industry, commerce, and transportation. If such conditions are not changed rapidly, the consequences can be grave in the long run for grain production development.

**Guaranteeing grain output increase and bumper harvests to increase supply in the next few years; formulating correct policy for consumption, guiding consumption, and curtailing demand are the pressing matters of the moment in finding a solution to the grain problem.**

A pressing matter of the moment in finding a solution to the grain problem is to change the trend marked by the intensifying contradiction between grain supply and demand. In seeking a solution to the grain problem, we should acquire a long-term view, while starting with the close and the elementary because of the long-term nature and arduousness of the grain problem, by no means should we allow the existing supply-demand contradiction to continue to expand. Only by relaxing the strain in grain supply in the foreseeable future, will it be possible to ease people's minds, and to smoothly implement the spirit of the 3d Plenary Session of the 13th Central Committee, to overcome the overheated economy, to curtail demand, and to create conditions for the further development of grain production.

The policies and measures to be adopted in increasing grain supply are: First, appropriately raise grain prices in contracted purchase; the range of which, however, has to

be restricted, taking into consideration the need to keep runaway price increases under control. Second, strengthen control over agricultural production materials, reducing the exploitation by intermediate links, while appropriately allowing greater power to agricultural production materials supplying the department in order to guarantee that the supply channels remain open. Third, increase the supply of chemical fertilizers linked to contracted purchase of grain, changing the measure of seasonal supply, a malpractice characterized by being sporadic and scattered, in implementing the "three linkings," linking contracted purchase of grain to the supply of chemical fertilizer and diesel oil at a low price and to release the grain purchase deposit. Coupons should be distributed to the peasants in proportion to the volume of purchased grain as stipulated in each contract, while guaranteeing their prompt supply. Fourth, abolishing the practice of "turning negotiated prices into parity" in grain purchase outside of contracts, while lifting control over grain prices outside contracted purchase, allowing the peasants to operate on their own to encourage them to overfulfill their output quota for a better income. Fifth, improve the method of levying agricultural tax by cutting taxes on land planted for grain crops, with the tax reduction to increase in contracted purchase of grain. At the same time, agricultural taxes on economic crops will be increased to stabilize the acreage planted for grain crops. Sixth, adopting measures by all localities in various forms in supporting agriculture with industrial profits, and narrowing the gap in horizontal interests for growing grain crops by allowing more subsidies to peasants specialized in grain crops. In short, there is a need to protect the interests of peasants growing grain crops in every possible way to give play to their enthusiasm for grain production, while striving for the steady increase.

In addition, it is necessary to appropriately import more grain to fill in the supply demand gap. However, grain import should be conducted appropriately in time and volume to be used in supplementing reserves in stock and regulating varieties. From the angle of economic results, importing chemical fertilizers has greater advantages than grain. At the same time, measures should be taken to eliminate regional separation between areas with surplus grain and those in great demand of grain, while strengthening grain circulation and regulation. This also plays a certain role in relaxing the strained grain supply.

In curtailing grain demand, it is necessary to formulate correct policy to guide consumption. Under the precondition of guaranteeing enough food, the growth in grain demand should suit the growth in grain supply. Regarding grain for daily food, and grain for production, especially for industrial purposes, regulation must be applied with specific measures based on special conditions.

**The key to strengthening the staying strength of grain production lies in reform. The basic issue is to protect and**



**to warm up peasants' enthusiasm for growing grain crops. To achieve this, wide ranging policies and measures are involved.**

An important strategic decision of China is to maintain long-term steady development of grain production. To achieve this, corresponding wide-ranging policies and measures are involved in strengthening the staying strength of grain production.

First, it is necessary to increase agricultural input by a large margin. Agricultural input should not rely on government and collective investments as in the past, nor should it rely on the peasant's own accumulation as in recent years. Agricultural input should fall into three categories: 1) Government input, which is chiefly used in developmental projects of strategic significance such as harassing major rivers, building large-type bases of commodity grain, and capital construction on farmland in huge areas. 2) Input by localities and rural collectives, which is chiefly used in building agricultural infrastructure, including such items as farmland, water conservancy, plant purification, science and technology; and 3) peasants' input, which is chiefly used in such operational items as agricultural production materials, soil improvement, and increasing production and output.

Sources of funds for agricultural input should be multi-channelled. Corresponding policies should be adopted to attract and to encourage collectives and peasants to increase their input, whereas the localities should also think of more ways to collect funds for agricultural input. The government will relatively increase the proportion of agricultural investments in the financial budget, while certain proportions in extrabudgetary funds will be extracted to be spent on agriculture. The bank will appropriately increase the volume of agricultural loans to be listed in its plan for credits and guarantee them in an earnest way. In addition, importance should be attached to attracting foreign funds in agricultural construction. Part of the preferential loans from the World Bank should be devoted to some agricultural projects. In addition, horizontal combination can be applied to encouraging regions in short supply of grain to make investments in grain producing regions to run grain bases in exchange for grain. At the same time, it is necessary to step up the development of such industries as chemical fertilizers, plastic sheeting for agricultural purposes, insecticides, and farm machine building, in order to increase the supply of agricultural production, materials, and physical input.

Second, it is necessary to give play to the role of agricultural science and technology. The forces of agricultural science and technology should be strengthened, and farming in a scientific way should be spread, while new species, and technical know how should be adopted to push forward the development of grain production.

Third, while protecting the existing area of arable land, it is necessary to strengthen agricultural land development. We should resort to legal, economic, and administrative means to halt the arbitrary occupation of arable land to further make complete and perfect the system of land use tax by levying heavy taxes on arable land occupied for other uses, while implementing this policy as a major strategy. At the same time, it is necessary to actively exploit and utilize such land resources as wastelands, hills, water surfaces, beaches, and to develop three dimensional farming to avoid competing with grain for land, so that the limited arable land may be used more and better in grain production.

Fourth, deepening economic structural reform in the rural areas. 1) It is necessary to continue to make complete and perfect operations in the rural areas as well as the system of contracted household responsibility related to output, to do a good job in rendering socialized services, and to encourage rural economic organizations with multiple factors and forms. 2) In areas where conditions are ripe, suitable management of scales may be implemented, and surplus work forces may be transferred by developing town and township enterprises and other economic organizations, while arable land may be concentrated in able farmers' hands, and the transfer of deserted land on lease be encouraged, and 3) from a long-range view, the land transfer system in the rural areas should be explored, and the flow of the managerial rights of land with compensation in the rural areas be allowed under the government's macrocontrol, in a planned and organized way, so that the operation of grain production with scope as well as the commodity rate of grain may be raised.

And fifth, in macrocontrol, importance should be attached to the long-term development of grain production. 1. Continuous efforts should be exerted to make the grain control structure complete and perfect, with the implementation of unified management and operation to change the structure of mutual restrictions between agricultural departments, which are in charge of grain production, and the financial and trade departments, who take charge of purchase, processing and circulation, so that grain production, processing, and marketing may come under the unified management of a single department, with intensified guidance of the national plan. Second, it is necessary to establish a regulating system of grain reserve, to set up a stabilization fund for grain, to strengthen the infrastructure for grain storage and transportation. When market prices for grain are on the low side, the government should "purchase" grain at rational protecting prices, and when market prices are on the high side, the government should "sell" grain at rational prices to curtail market prices and to protect the interests of both the producer and the consumer, thus grain prices in a lean year will be even with a good harvest year. The government should establish a regulating department endowed with higher authority than enterprises to be responsible for the work. At the same time, the insurance system for grain crops should be made complete and

perfect, so that the peasants may have no worries at home. And third, rational readjustment in the redistribution of the national income should be conducted, and the interests of both the grain producer and the consumer be protected in all manners including accumulation, consumption, taxation, prices, interest rates, and subsidies. The measures of supporting agriculture with industrial profits, and supporting grain production with profits in special produce in the rural areas should be implemented to narrow the interest gaps between grain production and other crops as well as nonagricultural departments. From the angle of the whole society, the gap between the urban and rural areas should be narrowed step by step, with changes in the practice of "the rural areas supporting cities," so that the mutual benefits and promotion between the workers and peasants, and between the cities and the rural areas may be achieved, to maintain the long-term steady development of grain production and to serve China's socialist modernization.

#### **Economist's Letter Notes Avoiding Recession**

HK2403012789 Shanghai SHIJIE JINGJI  
DAOBAO in Chinese 20 Feb 89 p 7

[Letter from Dai Yuanchen (2071 0954 2525) to Wu Jinglian (0702 2417 8834): "Concerning Improving the Economic Environment and Avoiding Economic Recession"]

[Text] Practice over the last few years has proved the theory of managing effective demand through monetary control as practiced by countries of the market economic system a failure in our actual application. To control the quantity of money issuance in China, we must first put effective demand, which is the root cause and origin of the issue, under control. If we attend to trifles to the neglect of essentials, that is forcibly cutting money issuance, it will be enterprises' circulating funds, rather than effective demand, that are cut, and that, in turn, would lead to production "slides." The Keynesian school does not advocate expansion of effective demand to stimulate the economy under any circumstances. It limits the use of this policy to where effective demand is inadequate while there are backlogs of production materials, capital and labor in the economy. Comrade Jinglian:

At the present time there are two extremely contradictory phenomena in our economic life. On the one hand there is an overabundant money supply. The 1988 year end amount of money in circulation increased by close to 50 percent compared with 1987, another peak increase in monetary issue following 1984. On the other hand, there have been severe shortages of funds for banks and enterprises, with the result that "banks are unable to attract savings, draw funds, lend cash, reclaim loans, and send or cash remittances," a situation which is ill suited to banks as a credit facility and center for receiving and paying out cash. In quite a number of localities payments for purchases of agriculture and sideline products are being settled by writing out a debit note instead of cash.

Arrears between enterprises are getting increasingly serious, so much so that normal production flows have been adversely affected. There is every possibility that as a result of shortages of funds, production in the 1st and 2d quarters in 1989 may drop.

So macroeconomic policymakers are faced with a dilemma. The improvement of the economic environment, as a remedy for the former phenomenon, calls for continual tightening of demand so as to control money inputs. But for the latter phenomenon, it seems that we need to loosen money control so as to avoid economic stifling and recession. This difficult dilemma is quite similar to the situation in early 1986. The only difference is that at that time the problem—the overabundant money inputs toward the end of 1984, following adjustment made in 1985, did not pose the dilemma situation until early 1986—took about a year or so to surface, while this time it has taken merely 2 months for a similar situation to appear.

The 1986 policy option was hailed by some economists as a "soft landing" and a show of high wisdom and craft in dealing with such a complicated economic problem, and, not without some complacency, remarked that it was they who in a timely way forward the "open-gate" policy. I can still remember the debate you conducted with some of these economists. Basically I agreed with your judgment on the situation that "tightening was attempted but no resultant cutback was achieved." If the problem then had not been as you judged, but had been, as judged by some economists, inadequate demand, it would be extremely difficult to explain the quickness with which excessive expansion of total demand reappeared, and the environment worsened, to such an extent that in 1988 two-digit inflation was witnessed. But what I want to discuss with you right now is, how to study and unearth the deep causes of the present contradiction in which we see the paradox of simultaneous abundant money supply and shortage of funds and find, from such a study, policy options that can be practiced at the present time.

#### **A Complementary Note on "Deregulating Prices And Control Over Money Supply"**

Recall that in June 1988 you put forward the policy recommendation of deregulating prices but exerting controls over money." From an economic point of view this was highly perceptive, for it organically combined promotion of market reforms with strengthening of macroeconomic management. Now there are some people who chopped up your originally integrated idea and spread gossip that your suggestions were not good. This is highly unfair. Because price reform is not wrong by itself. The problem is rather that it is impossible to conduct effective price reform when the macroeconomy was running out of control and demand was expanding excessively. This point was more than once taken up at the early January 1989 "Seminar on China's economic problems



for Chinese and American Scholars" by economists from MIT [Massachusetts Institute of Technology], the great center of the Keynesian school.

Here I do not want to go into the theoretical validity of this point. Rather I would like to dwell on its practical aspects and talk about the operational shortcomings arising from a misunderstanding of "exerting controls over money." It should be pointed out that "control over money" is the usual means adopted by market economy countries to manage demand. In those countries, except through government financial expenditures there is no direct control over demand. Regulating investment and consumption demands is done by adjusting the quantity of circulating money, which influences marginal profit rates and the marginal propensity to consume. The effects of the method are obvious. This is why those experts at the MIT treat "control over money" and "strengthening macro-control" as one and same thing. But where China is concerned, practice since 1985 has repeatedly showed that management of demand by means of money control has failed in practical application. Over the last few years the central bank of our country has time and again adopted the "control of base [ji chu 1015 4342] money" method, putting strict controls over the re-lending quotas for specialized banks in an effort to limit money issuance. However in China a rise or fall of marginal profit rate does not affect investment incentive. In the meantime the inflationary world is goading people's propensity to consume. Consequently, there is nothing of the kind of effective transference mechanisms of market signals and under this circumstance, adopting a simplified practice of issuing less money does not resolve the imbedded cause which gave rise to increase in money supply. The total demand in society has not been really reduced.

On the contrary, for many years the primary concern of leaders at various levels has been the maximum amount of investment in fixed assets, belying an ignorance in the fact that enterprise production needs both fixed assets investment and reinjection of circulating funds, as a result not only town and township enterprises, but their state-run counterparts from local to central up have been operating in debts. An overwhelming number of enterprises have been relying on bank loans for their circulating funds. So once banks are short in funds sources, that is when banks are unable to reclaim loans for fixed assets, Banks will start taking back from enterprises loans for circulating funds, even including those budgeted for them. This is why control of money inputs both toward the end of 1985 and 1988 resulted in shortages of capital turnover for enterprises, with subsequent production halt or reduction, arrears between enterprises, and stagnation in the circulation realm. Moreover enterprises with suitable amounts of reserved funds were, precisely because of this reason, the hardest hit, while those with excessive reserved funds could ride over the rough times, the result of which in turn fueled the tendency of stacking up funds, budgeting liberally and

spending sparingly; or settling cash transactions through non-banking channels to avoid collection of loans by banks. All these further aggravated the shortages of funds in society.

Therefore, the current phenomenon wherein excessive money inputs coexists with funds shortages, which looks paradoxical on the surface, is in fact an inevitable result of inappropriate regulatory and control measures. And from a theoretician's viewpoint, despite the rich implications in your idea of "control over money," you did not advocate the method of arbitrarily curbing the inputs of basic [ji chu 1015 4342] money. But given the quality of economic staff in our country, it cannot be denied that the idea of "control over money" is liable to some kind of simplification, misunderstanding and arbitrary checks in actual operations. That is why I suggest "control over money by tightening demand" in place of your original thesis. Do you think this is better?

Inflation is a currency phenomenon. Although there are many causes that lead to increases in prices, persistent and general price increases can have only one fundamental cause: excessive amount of monetary issues. Therefore to cure inflation, the amount of monetary issues must be placed under control, making their rate of increase to run in general parallel with economic growth rate. That is to say, your "control over money" is theoretically sound. But how does the money in circulation get increased in the first place? It is not subject to banks' decisions, of how much or how little money there should be. Money in circulation is determined by the difference between total demand and total supply in society. When total demand is greater than supply, circulating money will increase. When total demand drops, this will be shown in the return of money from circulation. Once we understand this secret, we will understand that to control the amount of monetary issues, we must tackle the problem at its root cause: control demand. If no great efforts are made on cutting back demand and consumption, with the result that total demand in society remains greater than total supply, then we are only attending trifles to the neglect of essentials. Arbitrary checking of monetary issues would not curb demand. It would only curb the circulating funds for enterprises, which will create production "slides." Inadequate supply will then aggravate the imbalance between demand and supply. Precisely because of this understanding, I think it is suitable to rename your thesis.

#### How To View Price Control of Administrative Nature

Another thing to discuss is: in the current process of improving the economic environment and curbing inflation, many localities have resorted to controlling prices by administrative measures—a move some of the comrades in the economic circles have criticized, calling it a resurrection of old systems and retreat of reforms. However in my opinion, where there is still too much circulating money, the target of considerably reducing



this year's inflation rate plainly calls for administrative measures. Furthermore, the control of prices with administrative measures will have the benefit of stabilizing the population's psychology, diluting the population's expectation of inflation, and making them save the money which otherwise would be spent in consumption owing to fear of price hikes. At the same time control with administrative measures can put a brake on the momentum of price spiral and halt the self-propelling movement of inflation. So the use of administrative measures in control of prices has its positive aspects, and should not be condemned out of hand, nor should it be set as an antithesis to the long-term target of deregulating prices. But control over prices with administrative means is a two-edged sword, it has its negative side. It will further distort the already distorted price system, which will in turn provide mistaken price signals, making the target of adjusting and improving production structures difficult to attain. The valid period in which prices are administratively controlled does not last long, while the cost entailed in such a move is not small. So it can only be used as a temporary means to gain a respite, during which the level of total social demand can be lowered, thereafter prices can be deregulated. That way market fluctuation will not occur. As I remember, you were most against price control in the past. I would very much like to hear you comment on this action.

In terms of economic theory, the theory which argues that a high inflation rate can bring about a economic growth has something to do with the worsening of macroeconomic environment. Although voicing of such a theory has grown small recently, I estimate that before long, when production has lowered to a certain level, this theory will again become fashionable. In view of this, the argument raised by professors from MIT at the recently held "Seminar on Chinese Economic Problems for Chinese and American Scholars," that China cannot afford to pursue the growth through inflation policy will contribute much to clarifying views. After all the Keynesian school has never advocated expansion of demand to stimulate the economy no matter what the circumstances are. It strictly limits this policy to where there is inadequate demand and, therefore, a stock of production materials, funds and labor force exists in the economy. Anyone who has read some of the works of this school will readily understand this point. Now that the orthodox Keynesians have finally set it forth, the gibberish of those fake Keynesians is exposed. You were once the target of concentrated attacks by these "Keynesians," and you should feel more deeply about this than me. And so I would very much like to hear your opinion.

There are many problems facing us in improving the economic environment. As an economist we have the duty to make things clear. The above are but my own opinions and as such it is bound to be biased. For vague and misleading points I look forward to your correction.

I wish you, for the spring festival, peace and health.

Dai Yuanchen

(written in Shimi House, Beijing, toward the end of 1988)

**Feasibility Studies on Three Gorges Submitted**  
*HK1803021989 Hong Kong WEN WEI PO in Chinese*  
10 Mar 89 p 4

["Brief Introduction to the Three Gorges Project Feasibility Studies Report"]

[Text] After 2 and ½ years of feasibility restudies, the "Chang Jiang Three Gorges Irrigation Project Feasibility Studies Report" was at last submitted at the end of February to the 10th (enlarged) meeting of the Three Gorges Feasibility Studies Leadership Group for examination. It was approved in principle.

This report was based on the results of feasibility studies done on 14 special subjects at an early stage. It was also based on research data collected over many years. The report consists of nine chapters. Some problems of concern to people at home and abroad are as follows:

**Flood Control**

The report thinks that the Three Gorges Project is situated more than 40 kilometers above Yichang. It lies close to the Jingjiang He section—which involves the most critical situation in Chang Jiang flood control. It is geographically well placed for its control of more than 95 percent of the floodwater flow from the Jingjiang He and two-thirds of the floodwater flow from above Hankou. Based on the recommended program of the Three Gorges Project's normal storage level of 175 meters, there is a flood-control storage capacity of 22.15 billion cubic meters. This can enable the flood-control standard of the Jingjiang He section to be raised from the likely occurrence of a flood every 10 years now to a likely occurrence every 100 years or so. As to a flood likely to occur every 1,000 years, or the 1870 extra-large flood, given regulation and storage with the Three Gorges Reservoir, combined with the Jingjiang flood distribution area and other floodwater storage measures, necessary conditions can be provided for avoiding an overwhelming disaster. With floodwater from the upper reaches under effective control, the flood threat to Wuhan City and Dongtingfu is lessened, with a reduction in the distribution of floodwater in the Chengling Mining Area of Jingjiang Prefecture and in the damage caused by submersion under water.

On the program for building reservoirs in upper-reaches main streams and tributaries and the further expansion of the flood-relief capacity of middle and lower reaches of the river course, the report also makes a comparison in feasibility studies. The conclusion is: Upper-reaches main stream and tributary reservoirs can play a relatively large part in local comprehensive utilization measures, including flood control. But they have a limited role in middle-reaches flood control. The main reason is that the reservoir sites in question are scattered, with no

full compatibility with the space distribution of torrential rains. Moreover, some 300,000 square kilometers of torrential rain area between the lower reaches of the reservoir area and the area of Yichang cannot be effectively brought under control. This second program allows an improvement in floodwater distribution, floodwater storage and safety of floodwater diverted through the canal, as compared with now, when a flood likely to occur every 100 years does occur. But it brings about no change in the situation—damage caused by distribution of floodwater, a temporary withdrawal of people, and the control of floods with difficulty. Especially when a flood larger than one likely to occur every 100 years, or an extra-large flood like that in 1870 does occur, an overwhelming disaster can hardly be avoided.

The report considers that the Three Gorges Project is favorably placed geographically and can effectively control floodwater from above Yichang. It is an important part of the flood-control system in the middle and lower reaches of the Chang Jiang. It is irreplaceable in guaranteeing the safety of the Jingjiang He section.

The building of the Three Gorges Reservoir is of course conducive to middle- and lower-reaches flood control. Then is it likely to make a flood more serious in the upper reaches? The report holds that the residents living below the normal storage level of the reservoir storage area and the floodwater level of a flood likely to occur every 20 years will have moved to above the safety line when the reservoir is under construction. When a flood not larger than one likely to occur every 20 years, the residents of the reservoir area would not be submerged in water. In case of a flood larger than one likely to occur every 20 years, some areas at the end of the reservoir that have not moved would be inundated. But compared with before the building of the reservoir, there is still a reduction in people and things submerged. Besides, the duration of temporary submersion under water at the end of the reservoir is chiefly controlled by the process of natural flood peaks and is basically not different from before construction of the reservoir. Therefore, after the construction of a reservoir, the risk of a flood disaster in the upper reaches would not be increased. Instead, flood damage in the river section of the reservoir area could be reduced.

#### Benefits From the Supply of Electricity

The report considers that the water energy in the Three Gorges river section is a concentrated resource, with relatively adequate work done in the initial stage of the project. It is a giant-sized energy resource in western water energy resources closest to the center of the power load in central and east China. The Three Gorges Project is large in scale, with a relatively long period of overall work and a relatively large overall investment involved. But in the 12th year after the start of preparations for construction work (9 years after the official start of work), electric energy production can begin. The investment then is only around half of the total investment. In

6 consecutive years thereafter, there can be an annual input of about 27 billion kilowatts, equal to the capacity of a Gezhou Embankment hydropower station. Therefore, compared with many other hydropower stations, its duration of work and investment results are especially good. Given the duration of coal mine and railway construction and the needed investment for thermal power stations, the Three Gorges power station is also superior with its investment target. As a thermal power station replacement, the Three Gorges power station can also yield tremendous benefits in environment protection. There can be an annual discharge of at least 2 million tons of sulphur dioxide, 10,000 tons of carbon monoxide, 370,000 tons of nitrogen-oxygen compounds, and large amounts of industrial waste water. This will also play a tremendous role in reducing the threat of environmental pollution, such as acid rain, and so forth.

On the relations between the Three Gorges Project and other hydropower projects, the report considers that the Three Gorges Project and other hydropower projects have their respective scope for the supply of electricity. All of them actually cannot replace each other and can instead play a role as a substitute for the thermal power station, with a saving in coal. Therefore, rational arrangements should be made for the Three Gorges Project and other hydropower projects on the basis of their own geographical position and the targets they serve, and in line with the needs of local economic development and the degree to which work has been carried out on them at an earlier stage.

#### Improved Navigation

The report provides two comparable programs for improving mountain stream navigation conditions. One calls for developing mountain streams and turning shipping lanes into also [irrigation] channels in different stages. Another calls for building reservoirs in the upper reaches and bringing mountain stream shipping lanes under control. But after feasibility studies and economic comparisons, shipping experts consider that these two programs are uneconomical and also unrealistic. They are therefore negated in the report.

The report considers that the building of the Three Gorges Project is the best program for improving mountain stream shipping conditions. After completion of the project, backwater can reach Chongqing Port in the southwest. There will be a fundamental improvement in conditions for the shipping lane of 660 kilometers between Yichang and Chongqing. A 10,000-ton fleet can reach the Jiulongpo port of Chongqing. Due to the removal of dangerous shoals, the increased depth of water, the reduced incline of slopes, and the reduced velocity of flow, ship transportation efficiency will obviously improve. Transportation costs can drop by 35 percent to 37 percent compared with now. An increase in Chang Jiang shipping will be greatly accelerated, with an improvement in the safety of shipping. Meanwhile, given an increase in the flow of water below Yichang



from 3,000 cubic meters/seconds at present to more than 5,000 cubic meters/seconds, the depth of water for shipping in the upper-reaches Jingjiang lane in the dry season will be increased. This will also contribute toward the maintenance of the shipping lane and the operation of ships.

#### Geology and Earthquakes

Concerning geological conditions about the embankment site of the Three Gorges Project, regional earth crust stability, and the problem of reservoir-induced earthquakes, surveys and studies were again conducted in the process of feasibility studies. The conclusion of the report is: The base of the embankment site of the Three Gorges Project is granite, which is perfect as one single piece, mechanically strong, and weak in water permeability. There is no active fault or no very bad geological phenomenon within a 10-kilometer range of the upper and lower reaches of the embankment site. Geologic conditions for the project are excellent. They are suitable for the building of a high concrete dam. The reservoir area has very thick water-resisting layers around it, with good insulation. There is no problem of water leakage.

On seismic conditions, the report holds that the level of seismic activity in the area is not high. The intensity is weak and the frequency low. During the 2,000 years preceding 1959, within a radius of 300 kilometers from the embankment site, there occurred a total of 19 medium-strong quakes, three of them 6.5, and one, 6.25 [on the Richter scale]—all taking place more than 200 kilometers away from the embankment site. Some quakes above 5 took place 130 kilometers away. Therefore, generally speaking, the earth crust stability of the Three Gorges area is relatively good. It is a typical seismically weak environment. The crystalline rock masses of Huangling where the project site is has a still greater degree of stability and safety. After assessment and approval by a state department of seismology, the fundamental seismic intensity of the embankment area will be determined to have a VI degree.

As far as a project yet to be constructed is concerned, the breadth and depth of our study of a likely earthquake induced by the Three Gorges Project are also unique on a world basis. The report considers that mankind at present still basically has no grasp or idea of the mechanism of reservoir-induced quake formation and the process of precipitation and development. On the whole, it is still an exploratory stage. But mankind mostly knows the harm caused and has gradually formed a set of practicable assessment methods. At present, the possibility of a reservoir-induced quake taking place in some sections after the completion of the project cannot be ruled out. But the earth crust stability of the Three Gorges area is relatively good. The level of seismic activity is not high. The possibility of a quake precipitated by a reservoir is slim. Given a rational antivibration design in construction, even a reservoir-induced quake would not cause a great threat to the safety of the project.

#### Landslides

The report considers that the bank of the Three Gorges Reservoir has a total length of 1,300 kilometers. The reservoir bank is chiefly made up of solid and medium-solid rocks. There is no wide distribution of loose accumulations. Stability conditions are relatively good. After the reservoir is filled with water, a partial loss of stability of the slope of the bank may be brought about, with some possibilities of collapses and landslides reactivated. But the fundamental stability of the reservoir bank would not be changed.

At present, masses of more than 100,000 cubic meters from likely collapses and landslides on the mainstream reservoir bank have been basically ascertained. There are about 270 such places, with a total size of about 1.7 billion to 2 billion cubic meters. Of them, eight large and medium-sized masses likely to collapse and slide exceeding 1 million cubic meters are developing. There are also 14 places with a lack of stability. Given the fall into the reservoir of all masses from these 22 places, there is no basic effect on the storage capacity of the reservoir and its life. Since these 22 places are scattered, any mass that falls into the water-filled reservoir from any of them will not block the river course, causing "a dam before a dam." In addition, with the width of the water surface increased to 200 meters to 800 meters and the depth of water increased to several tens of meters to 100-odd meters after the formation of the reservoir, the phenomenon of masses from collapses and landslides falling into the river and blocking the shipping lane will also be improved, to a relatively large degree.

#### Silting

The report considers that on the basis of the results of analysis and research done with different methods and from different angles and existing silt data, there is no determination of a trend of a systematic increase or decrease in silt from above the Three Gorges. In the past several decades, soil erosion in some areas in the upper reaches of the Chang Jiang has increased. But there is not an obvious trend of an increase in the annual amount of incoming sand at mainstream survey stations like Cuntan, Yichang, and so forth. The main cause depends on the combined effects of geological, terrain, climatic, precipitation, and other factors in the upper reaches of the Chang Jiang Valley. As to the cause of a relatively large incoming sand increase at the Yichang Station in 1981 and 1984, it was chiefly the result of torrential rains focusing on the sand-rich area, as also once happened in history. After 1985, the incoming sand again dropped to the average value. Therefore, it is rational to base the silt study of the Three Gorges Project on data from shifting sand surveys over many years.

The lasting effective storage capacity of the reservoir has been a problem of great concern to people. The report considers that the Chang Jiang has an abundance of water low in sand content. The flood season witnesses a



relatively great concentration of incoming water and incoming sand, which respectively account for 79 percent and 95.5 percent of the annual total amounts. The river section of the Three Gorges Reservoir area is steep with a rapid flow. It is a typical reservoir of the river course type. Drawing on the actual experience of our Sanmen Gorge, Heisonling, and so forth and in light of the actual flood-control needs in the middle and lower reaches of the Chang Jiang, the key Three Gorges Project should use the operation regulation method of "storing clean water to the exclusion of the unclean." The flood season should be taken as a time for releasing the reservoir's storage of flood-control water. The water level of the dam should be controlled at a relatively low level, as fixed during the flood season. This helps in discharging sand from the reservoir and reducing the accumulation of silt at the last section of the reservoir. At the end of the flood season with the flow relatively low in sand content, the water level of the dam should be gradually raised to a normal water-storage level. During the dry season the following year, the water level is gradually lowered to satisfy power generation and shipping needs. The use of this operation regulation method not only allows the development of the comprehensive benefits of the reservoir but also makes for the long preservation of a large portion of effective reservoir capacity.

On the effects on the Chang Jiang mouth, the report considers that with the Three Gorges Reservoir in use, some changes would be caused to the process of water and sand entering the areas at the Chang Jiang mouth. These changes would not have an obvious effect on land reclamation from shoals, and so forth.

The study of the silt problem in the key Three Gorges Project was carried out on the basis of relatively adequate and reliable fundamental data. The depth, breadth, and precision of work can satisfy the demands of the stage of feasibility studies. Conditions about the silt problem related to the Three Gorges Project have been basically clarified. This problem can be solved. Due to the importance of the silt aspect of the key Three Gorges Project and technical complexity, there is still the need in the initial stage of design to further raise the level of research. With the silt problem in mind, we must continue carrying out studies and formulating appropriate concrete measures and programs.

#### Civil Air Defense

The report considers that since 1958, work has long been carried out in connection with the civil air defense aspect of the Three Gorges Project, with the design of protection measures, the calculation of effects of floods from a broken dam, and conducting model tests, chemical explosion simulation tests, nuclear weapons effect tests, and so forth. The problem of civil air defense in connection with the project has been basically made clear. Main counter-measures call for reducing the water level of the reservoir in operation with the temporary diversion of

floodwater in times of war, and for strengthening the embankment reinforcement program. The large dam of the Three Gorges Project has large numbers of holes to release floodwater. Given a sign of a war, the reservoir can be rapidly made to sink to below a height of 130 meters. At this time, the reservoir contains a total volume of only 10.3 billion cubic meters. Given a collapse of the large dam and also a not very large flow of water through channels in the lower reaches, damage from submersion under floodwater can be brought within a given scope.

Military experts and experts related to key building projects said in an analysis that given the detectable signs of modern warfare, it is possible to have water released at a warning. Chances of the three gorges reservoir at a high water level being attacked are small. Besides, the large dam has a relatively strong ability to withstand a direct hit by conventional weapons. Given a collapse from a nuclear weapons attack, serious damage is caused to an area from the embankment site to the area of Shashi in the lower reaches, and to the Jingjiang area to which floodwater is directed. But there is not a very large effect on the plains of Jingbei, Dongtinghu, and the area of Wuhan. It is still a local disaster, as far as an overall analysis is concerned. Therefore, the problem of civil air defense is not serious enough to constitute a factor determining whether the Three Gorges Project can be built.

#### Migration

On the basis of research on special subjects at an earlier stage, the feasibility studies report draws the main conclusion about the settlement of migrants: Various indexes of submerged objects are basically reliable and can be taken as a basis for settlement plans for migrants, investment estimates, and policy decisions. Based on the state's 1986 policy and commodity price estimates, the investment in settlement is 11.061 billion yuan. Policies and measures for Three Gorges Project settlement and compensation standards, as put forward in feasibility studies, are necessary and rational and also practicable. Results of a study of the reservoir area's environmental capacity for migrant absorption show that various counties involved in submersion all have a potential capacity. Migrants can be placed there. Moreover, rural migrants can be settled somewhere in towns where they belong. By implementing the guidelines of committing migrants to development efforts and combining the building of the reservoir area with resources development, environmental protection, and preservation of soil and water, we can achieve the aim of enlivening the economy of the reservoir area, improving the quality of the environment, and giving migrants lasting peace.

The report notes that at present, the plan for migrant settlement has been at quite an advanced stage. New sites for migrants from submerged towns and townships have shown a relatively great improvement in environmental conditions, with room left for development. The

whole reservoir's agriculture can place 60 percent of rural migrants on the basis of their steadily developing agriculture, while town and township enterprises and secondary and tertiary industries can settle 40 percent of them. This is relatively realistic and can be taken as a basis for plan formulation. If the Three Gorges Project is built in the near future, the migrant settlement program offered in recent feasibility studies is practicable. If construction work is delayed, then not only would economic construction in relevant counties and cities in the reservoir area be seriously affected, but there would an ever greater increase in objects submerged. Migrant settlement expenses would rise steeply. The difficulty of settlement will also obviously increase.

Therefore, the report suggests that the state approve first the matter of investing the Gezhou Embankment Hydro-power Station's income from electricity charges in the development and construction of the reservoir area. It is estimated that with an annual input of about 100 million yuan in the first 2 or 3 years, there can be a saving of an additional amount of 600-700 million yuan in settlement expenses caused by every year of delay, with an increase in submerged objects. An opportunity is also provided to the Three Gorges Project for an early input. The benefits are unusually obvious.

#### Ecological and Environmental Effects

The report notes that the ecological and environmental effects of the Three Gorges Project are deep and widespread. Given various factors, there is a mix of advantages and disadvantages. A systematic analysis and a comprehensive assessment should be made with the valley as a whole taken into consideration. The favorable environmental and ecological effects of the building of the large embankment chiefly involve the middle reaches. The serious damage of the Chang Jiang flood-water to the ecology and environment of the plains of Huqu in the middle reaches with its dense population and its thriving economy can be effectively reduced. The psychological threat of a flood disaster to people is also effectively reduced. A contribution is made toward the prevention and treatment of schistosomiasis in the middle and lower reaches. As compared with thermal power, hydropower can reduce environmental pollution. In addition, there are also such favorable factors as an improvement in the regional climate, a reduction in the silt in Dongtinghu, and a regulation of the Chang Jiang flow.

The ill effects of the building of the large embankment chiefly concern the reservoir area. They can be classified as follows:

**Irreversible effects:** With the reservoir filled, some cultural relics and historic sites, the natural view of the three gorges, and some cultivable areas are submerged.

Effects, which are serious or relatively large, but which can be reduced with measures taken: the ecological and environmental problems arising out of the process of relocating and rebuilding towns and townships and settlement, with the reservoir filled; the effect on the resources of bai-ji-tun [4101 2555 6270] [a kind of pig], and other cherished rare species; such problems as landslides, precipitation of an earthquake, and so forth.

Effects, which are relatively small, but which can be reduced with effective measures taken: effects on regional climate and some hydrological factors; effects on the health of people; effects on terrestrial animals and plants; and so forth. The water pollution effect is not serious at present. But if things go on with the improper handling of sewage of various kinds and their direct discharge into the Chang Jiang at present, there is the potential threat of pollution to the Chang Jiang water.

In addition, there are effects—potential or at present difficult to predict or difficult to determine in quantity—on aquatic organisms in the upper reaches, regional ecology, and the ecology and environment at the Chang Jiang mouth and in neighboring sea waters.

Therefore, the report offers the following suggestions:

Guided by the goal of establishing and maintaining the fine ecological environment in the reservoir area and on the basis of a scientific analysis of the environmental capacity in the reservoir area, we must make proper settlement plans for migrants.

Starting now, we must properly handle plans for prevention of soil erosion and formulate effective policies and measures, doing a good job of preserving water and soil in the reservoir area and in the upper reaches.

We must define a certain area as a preserve or a state park with the emphasis on nature and historic heritages, and promulgate stipulations about the utilization of natural resources and the protection of places of scenic beauty and sites of ancient cultural remains. We must remove important sites of ancient cultural remains before they are submerged by the operation of the reservoir.

In settling migrants and involving them in developing industries and town and village enterprises, we must take effective measures and prevent environmental pollution in the reservoir area.

In the design and control of the reservoir project, we should consider the demands of fish breeding regarding water movement and temperature. In discharging sand in the control of water, we must try our best to reduce silting in the reservoir area and prevent a drastic change in beaches or shoals and river beds below the embankment. This is to avoid directly affecting the environment for the bai-ji-tun, a cherished rare animal, and the environment for the breeding of the xun [7669] fish of

China. As to irrigation for lakeside fields and fields protected by dikes in the middle and lower reaches, and saline tides that flow back from the river mouth, we should try to avoid ill effects as much as possible.

Concerning some problems which are still under debate, or which take a relatively long time to be clarified in regard to effects, there is the need to further expand the work to obtain clearcut conclusions.

#### Investment Results

The investment estimates for the Three Gorges Project in this feasibility studies report are based on the demands of our capital construction investment estimates for feasible stages of a project, and on the commodity price level at the end of 1986. The total static investment in various relevant projects is 36.108 billion yuan. Of the amount, 18.767 billion yuan is invested in the key project, 11.061 billion yuan in settlement of migrants, and 6.28 billion yuan in the input transformer project.

As hydrological and geological conditions about the Three Gorges Project and the design of the project have been studied for many years and been repeatedly reviewed, the omission of important items is unlikely. Therefore, the report notes that the base for the conceptual investment estimates is relatively reliable. Moreover, this feasible investment concept still allows 10 percent for unpredictable expenses on the basis of what feasible stages stipulate. It should be said that there is some room left. Besides, the methods of calculation used are those applied to all the country's irrigation and hydropower projects.

As to investment results, the report notes that from financial evaluations, we can see good benefits from the Three Gorges Projects and a big contribution made to the state. There will be income beginning in the 12th year of the Three Gorges Project. In the 20-year period of construction, there is a grand total of 39.22 billion yuan in income from electricity sales. In the same period, 2.5 billion yuan in connection with various funds and key energy and communications construction project funds is handed over to the state. After the full completion of the project (the 21st year), annual income from electricity sales will reach 7.5 billion yuan. After the payment of debts, the amount handed over to the state revenue department every year will reach 3.56 billion yuan. Profit and tax payments will total 5.41 billion yuan. The total annual amount in profit and tax payments is more than all the investment in the Gezhou Embankment Project. In the period of calculation, the grand total of profit is 255.1 billion yuan, with 148.2 billion yuan surrendered to the state revenue department.

Concerning the problem of involvement or non-involvement with construction, after calculations based on a perfected program, the report considers that the building of the Three Gorges Projects allows a reduction of 11.01

billion yuan from the current cost of a program in place of the Three Gorges Project not being built. This is equivalent to 70.2 percent of the current cost of 15.674 billion yuan for the Three Gorges Project, with a difference of 16.34 percent in the internal rate of return. Compared with a late start (on the basis of a delay of 12 years), the early start of construction allows a reduction of 7.27 billion yuan from the current cost of a replacement program. This is equivalent to 46.6 percent of the current cost of the Three Gorges Project, with a difference of 16.5 percent in the internal rate of return.

Summing up the above, we can see that the economic benefits of the Three Gorges Project are substantial and economic assessments are good. The overall investment is relatively large. But in the middle stage of construction, benefits can be obtained, with a great potential. A contribution is made to the realization of long-term economic strategic goals. Based on a comprehensive economic analysis, involvement with construction is better than non-involvement, and an early start of construction is more advantageous than a late start. It is suggested that an early decision be made.

#### The State's Capacity for Absorption

The report considers that as far as flood control, power generation, and shipping are concerned, the building of the Three Gorges Project is compatible with state development demands. Moreover, needs in some cases are urgent. The problem of the scale being too large to be absorbed does not exist.

In light of the future development of the national economy, the state can have the ability to absorb the burden of the Three Gorges Project. The proportions that the investment in the Three Gorges Project accounts for in the gross national product and national income during the period of construction are 0.73 per thousand and 1.23 per thousand respectively. These proportions are smaller than those that the total investment in the first stage of the Baoshan Steel Works and the Panzhihua Iron and Steel Base accounted for in the gross national product and national income during the period of construction. In light of the state's recent economic strength, we have the ability to launch extra-large projects with good economic results like the Three Gorges Project. Fundamental projects having a major impact on the national economy can be realized, so long as we take a prudent approach, make overall arrangements, rationally readjust the investment mix, adopt effective means, and guarantee key construction programs.

As far as material needs are concerned, the domestic production capacity can absorb them. The needed quantity of large-volume materials, such as rolled steel, timber and cement, accounts for only 0.12-0.33 percent of the state's total supply capacity. This proportion is small. We may also consider using foreign capital to import some timber and rolled steel to reduce some burdens on



the state. Of the large-sized machines needed for construction, some still cannot be produced domestically. We can import some of them by contracting foreign loans. Water-wheel generating units of the Three Gorges power station involve a capacity above 500,000 kilowatts each. They still cannot be manufactured at home. We are prepared to use foreign loans to buy the first few sets, while importing technology to carry out production on a cooperative basis. A gradual switchover is then made toward domestic production. The total amount of foreign capital put to use should not exceed \$1 billion. All these will not create difficulties for the country. As to the construction force, the existing construction teams of the Gezhou Embankment Project Bureau through their training in working on the Gezhou Embankment Project are qualified to undertake the construction of the Three Gorges Project.

Concerning work preceding the next stage of the Three Gorges Project, the report has also called for arranging the collection of views. The report notes that work on Three Gorges Project feasibility restudies has reached another stage. The feasibility studies report has also been again compiled and made ready. Work preceding the next stage of the project should focus on research into special subjects in the initial stage of design. Thus, after the examination and approval of the feasibility studies report by the central authorities, we can immediately begin working on initial design and create conditions for the beginning of work as early as possible.

**Article Analyzes Reforming Investment System**  
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[Article by Tao Zengji (7118 1073 7535): "On Reform of the Investment System"]

[Text] In studying reform of the investment system, we can neither only consider investment itself nor copy the experience we have gained in reforming the economic and financial systems, or simply take measures similar to those for reforming these two systems. Instead, we should begin by analyzing the specific problems in the current investment environment; the special characteristics pertaining to investment; and the relations between investment and financial and national economic development and reform of the financial and economic systems.

**Contradictions Badly Need To Be Solved in Investment Development**

1. There has been no guarantee for investments in key state projects. Due to decentralized financial resources and the state's shortage of funds, the percentage of budgeted investments in the total social investments dropped to 13.1 in 1987, and is still in the course of dropping. Such a percentage is far from being enough for the needs of key projects. In recent years, considerable funds for key projects have come from bank and public

loans. As a result, funds for key projects have not been steady and dependable. In addition, current prices of many products of key projects are on the low side, and many of these projects have earned a very slim profit, or have not been profitable at all, and therefore have been unable to pay their debts. Even the key construction fund system instituted recently cannot solve the contradictions of shortage of funds for key projects.

2. The scale of investments financed by self-raised funds, which account for about 60 percent of total social investments, has not been effectively controlled. There has been a lack of policy guidance and plans for the purpose of these investments, and, as a result, they have become major culprits in causing investment expansion, making blind construction investments, blindly importing foreign technologies, investing in unnecessary projects, and importing foreign projects imported before. These are major problems we need to solve in improving the current investment environment and in reforming the investment system. Because investments of this kind are scattered throughout the country, they cannot form a substantial force. Moreover, they usually put enterprise units, especially large and medium-sized old enterprises, in a shortage-of-funds position, making them unable to make necessary improvements and keep up with developments. These investments financed by self-raised funds also usually draw funds from many projects under construction, making these projects smaller in size, which, in turn, reduces the economic results of these projects.

3. In recent years, credit for fixed asset investments has developed very rapidly, making it a major factor of expansion in investment credit, and of credit imbalance. Investment credit increased by an average of 47.7 percent annually from 1984 to 1987, increasing the percentage of credit in the total social investment fund from 14.1 in 1984 to 23 in 1987. Only a small percentage of this credit was used for key construction projects, and the large part of it was extended to enterprise units, who used it in conjunction with self-raised funds. By doing so, although some practical problems were solved, it substantially contributed to investment expansion, and was a major factor of excessive monetary issue in recent years. While investments financed by self-raised funds are hard to control, credit is totally controllable, and yet was not properly controlled. Banks and financial institutions have acted in their own economic interests, and, under pressure from local governments, have scrambled to extend loans for fixed asset investments. In addition, use of funds raised through issuing bonds by various units for construction purposes has contributed to expanding investment credit.

4. At the same time, the state has delegated to lower levels the power to examine and approve construction projects. On the surface, this move was aimed at letting localities balance their own investment plans, but, actually it disabled the central authorities from balancing investment plans for the whole nation. Of the over-400

billion yuan total social fixed asset investment in 1988, only less than 1/3 of it was handled by the State Planning Commission. Although the state has specified annual investment scales, actual investments have gone far beyond the set limits. The total social investment in 1986 exceeded the projected amount by 32.5 percent, and it was 26 percent in 1987. The total social investment in 1988 was projected at about 420 billion yuan, but actual investments are expected to exceed this amount by 120 billion yuan or more.

#### **Stability and Invigoration, the Two Objectives of Reform of the Investment System**

Reform of the investment system should contribute to invigorating the microeconomy as well as to stabilizing the macroeconomy. Stabilizing the macroeconomy is, in fact, balancing it, while the key issue of invigorating the microeconomy is to improve its efficiency. Stability and invigoration, or balancing and efficiency, should be the two goals of economic construction and reform of the investment system. Relations between the two should be seeking invigoration of the microeconomy, while ensuring the stabilization of the general economic situation, and striving to improve efficiency, while ensuring that the macroeconomy is developing in a balanced way. Therefore, we must make sure that major matters with strategic importance having a bearing on the entire national economy, such as investment scale, structure, and pattern, are handled in a balanced way in order to ensure steady development of the macroeconomy.

To ensure a long-term steady development of investment, we should strike a balance in finance, credit and loan, goods and materials, and foreign exchanges. First, financial and material resources of the society as a whole should be balanced before deciding on the scale of investment. The imbalances of finance and credit and loan are now serious. From 1979 to 1987, finance was almost in the red year after year. From 1984 to 1987, money supply increased at an average of 28.7 percent annually, but gross output and total retail sales in society during that period grew only by 20 and 19.6 percent respectively. Currently, imbalance in credit and loan constitutes a major threat to economic stability. A closely related issue is that of issuing bonds to raise funds for construction. Issuing bonds will result in corresponding decrease in bank savings and in the funds for use as credit and loan, thereby upsetting the balance of credit and loan. Therefore, we should be determined to correct the guiding thought for construction, adopt effective measures, and gradually restore the balance of finance and credit and loans.

**Measure No 1:** Readjust the arrangement of distribution, and make an appropriate increase in the proportion of financial revenues in relation to national incomes. Financial balance can be restored by increasing revenues and reducing expenditures. To increase revenues, we shall primarily rely on enterprises to improve economic results, which cannot be achieved within a short period.

To reduce expenditures also has its restriction within a period of time. To reduce investment in fixed assets, we should focus on reducing nonbudgeted, rather than budgeted, investments. Under these circumstances, we have to consider readjusting the arrangement of distribution. The first thing to do now is to discontinue the practice of reducing taxes to let people keep the profit. Besides, we should also readjust the proportion between budgeted and nonbudgeted funds, and make appropriate increase in the proportion of financial revenues in relation to national income. Currently, the funds budgeted by the state are insufficient to guarantee the construction of key projects. Appropriately pooling the funds to guarantee the construction of key projects has been proved to be an effective approach. It is also a favorable option for us today.

**Measure No 2:** Change "loan repayment before tax" to "loan repayment after tax" for enterprises after making appropriate reductions in income tax rates. When enterprises are in short of self-raised funds, the method of "loan repayment before tax" did solve some difficulties. However, as the matter stands now, this approach seems to have more disadvantages than advantages, mainly because enterprises and banks do not have to take the risks. It prompts enterprises to borrow more, and banks to loan more. Many enterprises use the loans to build new projects which fail to yield the desired benefits, and are forced to repay the loans with the funds which are supposed to be used as tax payments due on some older projects. This has hampered the independent operation of enterprises and banks, as well as the implementation of the system of assuming sole responsibility for losses and profits. Moreover, it has also inflated investment and further upset the balance of bank credit and loans. Therefore, loan repayment before tax should be changed to loan repayment after tax. Besides, income tax rates should be appropriately lowered to increase the enterprises' ability to repay loans with self-raised funds.

**Measure No 3:** Strictly control the index of money supply, and appropriately increase loan interest rates. To maintain a balance of credit and loans, from now on, priority will be given to loans for use as working capital, followed by loans for fixed asset investment if there are extra funds. Money supply and the balance of credit and loans should be reported annually to the People's Congress just as state budget and final accounts are. Deficits in credit and loan should be analyzed, explained, and published. The indices used in the annual plan for money supply should be approved as a separate case by the People's Congress. Such indices must not be exceeded. The current low interest rate on loans cannot keep up with the inflation rate. So, it is actually a negative interest rate. This will only encourage the people to borrow from banks and inflate investment. It is suggested that this interest rate be readjusted.

**Measure No 4:** Achieve a balance between financial and material resources. The quantities of rolled steel, cement, timber, and other major materials to be produced and imported by China each year are planned and

can be calculated. Inflation of investment has led to shortage of rolled steel. From 1984 to 1987, 63.1 million metric tons of rolled steel were imported, accounting for 40.7 percent of rolled steel produced by China during that period, costing us \$20.586 billion in foreign exchange, which accounted for 13.2 percent of the total imports during that period.

The serious imbalance between financial and material resources clearly indicates that the state cannot afford investments on such a big scale. It will only cause inflation. From now on, we should make reasonable arrangements for the materials to be newly added each year. The materials should be used for people's consumption and development of production first. The remaining materials will then be used for construction. We should know how much can be done with a certain amount of money or materials. The scale of investment we decided on by trying to maintain balance in this way will not exceed the state's capability, or adversely affect economic stability.

Measure No 5: The state plan must be designed to maintain an overall balance. The state plan should be responsible for achieving an overall balance between financial and material resources, and properly control the scale of aggregate investment, whether an investment is under state control directly or indirectly, and whether it concerns the state-owned, the collectively owned, or private units. We should not pay attention only to the few investments to be examined by the state plan and ignore the contradiction of any imbalances.

#### **The Fundamental Measures of the Investment System Reform Program**

First, the state will continue to exercise direct control over the key projects and guarantee the supply of funds for them. In our country, key state projects can only be undertaken by the state. The state, after the proportion of its financial revenue to the national income rises, will guarantee to supply funds for the key projects and thus enable them to have reliable and stable sources of investment. To achieve this end, we must maintain a reasonable ratio between key and nonkey projects, on the premise that the planned overall investment scale is in proportion to the national strength. This is not only for the good of the key projects themselves but, more importantly, for the purpose of maintaining our reserves for sustained development of production and of ensuring the long-term interests of the state and the people.

Some comrades have placed their hopes on the period after the readjustment of the price system, holding that, as long as key projects are profitable, people in various parts of society will be interested in investment. We should reconsider this kind of rationale. The reasons are: Readjustment of the price system cannot be done in a short period; key projects cost a great deal of money and have a long investment cycle, and, therefore, have greater financial risks; and if we raise by large margins

the prices of products of key projects (including products of the energy and raw material industries), the ordinary processing industries cannot take it.

The key projects rely mainly on planning and regulation. Corresponding to this, the state should still carry out mandatory plans and exercise direct control over the key projects. In this way, the state will possess the necessary power, which is helpful in stabilizing the overall economic situation.

Second, investment financed by self-raised funds will be controlled indirectly, mainly by bank credit.

During the switchover from the old to the new investment system, investment must be financed by self-raised funds under indirect control. A prerequisite for exercising indirect control is having long-term, industrial policies formulated by the state, investment policies based on the industrial policies, and development and transformation plans of various trades and professions, to serve as a basis for the control. It merits our attention that, since the division of labor in modern industries is very elaborate, the cooperation among different trades and professions in production and the interrelationship between their products are complex. If we hastily use economic leverage in the absence of scientific and correct industrial policies and concrete plans, negative chain reactions may happen as a result of improper regulation. For this reason, we must deal with the issue prudently.

If we have the aforesaid policies and plans as a basis, we shall be able to use such economic levers as a tax and interest rate in guiding and regulating the investment financed by self-raised funds. We may adopt low-tax, tax-free, low-interest, or interest-free measures to support the trades and professions and their products, of which the development is encouraged by the state. We should raise the ratio of self-raised funds in the investment by certain trades and professions, if the development of them and their products is restricted by the state. After the orientation of our policies is clearly understood, idle funds owned by any organizations not supposed to be further developed under current policies and plans should be loaned through banks to other organizations for use in justified projects. In this way, we shall be able to solve the contradictions of funds being scattered and projects becoming smaller and smaller.

Third, we should clarify as soon as possible the banking system and the role of investment banks to facilitate economic development and strengthen the control of investment in fixed assets.

In our current banking system, specialized banks are vying to develop towards multiple functions and comprehension, and they are becoming less and less specialized. Specialized banks and various banking establishments in disguised form are vying to extend loans for use in investment in fixed assets, and the loans tend to cause



excessive investment. For this reason, it is necessary to clarify as soon as possible the role of specialized banks. Particularly in the investment field, we should further clarify the role of the construction bank as the bank for investment in fixed assets, to strengthen control of such investment. Of course, the business of specialized banks should not be excessively limited either. In addition to their main business, they may properly conduct business overlapping those of other banks in order to meet the needs of the development of a planned commodity economy.

However, all specialized banks should earnestly implement the unified banking policies and relevant financial and economic policies of the state. We may consider cutting off the relationship between local branches of specialized banks and local governments, and put the

branch offices under the direct leadership of the head offices, to facilitate the implementation of unified national policies and free those branch offices from interference by local interests. The central bank should pay attention to macroeconomy and devote itself to protecting the national interest. We should thoroughly change the present situation, in which the branch offices of the central bank are taking orders from local governments or are subject to the latter's influences. The central bank should not protect only the interests of specialized banks. China is practicing a special system, under which specialized banks are led by the central bank. Such a system should be abolished when conditions are ripe. Generally speaking, the central bank should mainly adopt economic means to conduct its business and influence the money market, and should not exercise many administrative functions directly.

### East Region

**Lu Rongjing Meets Anhui Peasant Entrepreneurs**  
OW2703135089 Hefei Anhui Provincial Service  
in Mandarin 1100 GMT 13 Mar 89

[Excerpts] How should town and village enterprises courageously forge ahead and overcome difficulties to achieve steady development in the course of rectifying economic order and improving the economic environment? This has become a familiar topic for provincial leaders and peasant entrepreneurs. Today, a rainy day, the provincial party committee and provincial government invited (Gui Shaosong), (Wang Shiqing), (Zhang Jiapu), (Xia Dingfu), and a dozen other peasant entrepreneurs to a cordial discussion meeting at the Foreign Guests Hostel of Anhui University. The participants vied to speak and suggest ways and means for developing town and village enterprises.

(Zhang Jiapu), secretary of the (Changqing) township party committee in Hefei's suburban area, said: State monopoly of materials in short supply, such as rolled steel, has caused difficulties for town and village enterprises. We should bear with some of them, but others are not warranted. Take our (Qingnianlou) Store, for instance. It is a store second only to the Hefei City Department Store in size, but it is not authorized to handle monopolized goods because it is not state-owned. It is indeed disheartening.

Comrade Meng Fulin, deputy secretary of the provincial party committee, said: We should let Hefei City know about this fact. We should consider one's contributions. The annual volume of business of (Qingnianlou) Store amounts to 40 million yuan and it turns in more than 1.2 million yuan in tax payments and profit deliveries to the state. Why should it be discriminated against? [passage omitted]

Meng Fulin had a heart-to-heart talk with the peasant entrepreneurs. He said: The strategic plan to accelerate the development of town and village enterprises formulated by the provincial party committee and the provincial government will remain unchanged. Nor will the preferential policies be changed. The provincial departments will continue to support the town and village enterprises. He urged the peasant entrepreneurs to take the lead in implementing the principle of improving the economic environment and rectifying economic order, enhance their endurance and ability to deal with emergencies, and bring about a steady development of town and village enterprises.

Vice Governor Wang Sheyun presided over the meeting. Leading Comrades Lu Rongjing, Fu Xishou, [name indistinct], Wu Changqi and Zhang Runxia met with the peasant entrepreneurs and had a group photo taken with them prior to the meeting.

**Jiangsu To Curb Expansion of Rural Firms**  
HK2503032089 Beijing CHINA DAILY in English  
25 Mar 89 p 1

[By staff reporter Gu Chengwen]

[Text] Authorities in Jiangsu, China's richest province, say the time has come to curb the expansion of rural enterprises and those turning out unmarketable products.

Gu Xiulian, the provincial governor, said in an interview with CHINA DAILY that inefficient, high energy consuming industries must choose between improving their production methods and being shut down or merged.

Jiangsu's rural industries made up 40 percent of the province's total industrial production last year—a far higher proportion than in other provinces. But more than 20 percent of them are facing serious problems.

A related problem, Gu said, is the steady dwindling of valuable cultivated land due to industrial expansion.

Provincial authorities are particularly concerned about the loss of farmland, because grain production must be increased by more than 400,000 tons a year simply to maintain current grain consumption levels.

For five years running, the province has enjoyed a per capita grain production of 500 kilograms, much higher than the national average.

Production of rice, wheat and cotton per unit area has exceeded that of the country as a whole for many years. But increasing production is very difficult, the governor said.

Elaborating on the problem, Wang Hongmin, Mayor of Wuxi, one of the province's richest cities, added that per capita cultivated land has fallen to just 0.57 mu in his city (one mu equals 1/15 of a hectare).

The rapid expansion of rural industry over the past years has attracted a large number of workers from the outside.

This adds extra pressure to Jiangsu's annual population increase of 800,000.

Currently, 200,000 outside workers are working alongside 1 million local people in Wuxi's rural factories.

And inefficient industries are causing pollution and other environmental damage.

Gu said the most urgent problem these rural industries face is the widespread shortage of energy, raw materials and money.

Wang said all these things mean that Jiangsu can no longer tolerate low quality industries.

Rural industries should raise their own investment funds instead of relying too heavily on bank loans, Gu said.

As part of the effort to help rural industries improve themselves, she said, the provincial government is promoting co-operation between them and universities.

Some professors have become county-level deputy magistrates in charge of scientific management and applications.

Others have gone directly to rural factories to "diagnose problems and hand out prescription."

Gu said, "The central government's determination to rectify the economy has provided us with a good opportunity to improve ourselves. We plan to make full use of it."

She said Jiangsu's rural industries will emerge strengthened from the rectification efforts.

However, due to the limited amount of cultivated land, few farmers affected by the restructuring of rural industries will be able to return to agricultural work—a situation that calls for government attention.

The province's rural industries, unlike those in many other provinces, are already past their infancy, she said.

About 30 percent of them are mature and highly competitive and should go through the rectification process without difficulty.

The rural industrial sector of the province has accumulated a total of 16 billion yuan in fixed assets.

And they have developed top quality products which have been well received in China and abroad.

A decade of competition and hard work, she said, have produced a corps of genuine entrepreneurs familiar with China's economic system.

**Jiangsu Upgrades Transport Facilities**  
*OW2503045889 Beijing XINHUA in English*  
0248 GMT 25 Mar 89

[Text] Nanjing, March 25 (XINHUA)—Jiangsu Province, already one of the most developed areas in China, has accelerated its construction of roads, shiplocks, ports and other transportation facilities, according to a local official.

Ding Zigang, director of the Provincial Communications Bureau, which is responsible for the province's transport network, told XINHUA that the province's annual spending on its transport infrastructure has increased tenfold to 200 million yuan (81 million U.S. dollars) in the past four years.

He explained that in the past the province, covering 150,000 square kilometers, depended entirely on state financial allocations for road construction.

In the past four years the province has pooled funds from localities and levied extra taxes for highway construction.

In addition, free labor and land have been provided by counties and villages—which has considerably cut the cost of highway construction, he said.

Jiangsu, which lacked even one high-standard highway only four years ago, has constructed 2,504 kilometers of asphalt-surfaced highways, including 835 kilometers of first-class and second-class roads. (A first-class highway in China is a blacktop road with six lanes, and the second-class has four lanes.)

The province has also repaired or expanded bridges, extended sharp turns, leveled steep slopes and improved other highway bottlenecks.

To improve its navigation network, the province has dredged 1,800 kilometers of new waterways and upgraded or expanded 11 shiplocks and 36 docks.

**Jiangxi Vice Governor Stresses Family Planning**  
*OW2503125789 Nanchang Jiangxi Provincial Service*  
in Mandarin 1100 GMT 15 Mar 89

[Text] Vice Governor Chen Guizun recently inspected family planning work in Xingzi, Ruichang and Yongxiu counties. He emphasized during the inspection: The entire society should know the relationship between per-capita supply and the total population, firmly implement the party's current family planning policy, and do good family planning work persistently and constantly.

During his stay in Xingzi, Ruichang and Yongxiu counties from 8 to 11 March, Chen Guizun held discussions with rural cadres and cadres in charge of family planning work.

Chen Guizun said: The population situation in Jiangxi Province is grim. The third peak in the total number of births began in 1984 and will last until the end of the century. Several hundred thousand women reach marriageable and child-bearing age every year. The population growth in this province, if not effectively controlled, not only will obstruct the attainment of our economic development objectives, but will also create a passive situation for our social development in the next century. Leading cadres at all levels and the entire society should fully understand the importance and urgency of family planning and conscientiously do good and timely family planning work. Under no circumstances should we relax our efforts in family planning work. We should firmly stop the practices of multiple births, early marriage, and early child-bearing. Family planning work in rural areas must be meticulous and thorough. Population growth must be controlled scientifically according to plan. Any births must be approved beforehand and the namelist of



the parents must be published. It is absolutely impermissible to exceed the birth quota. At the same time, we should make great efforts to develop social security undertakings. In the rural areas, we should actively develop retirement insurance, and ensure that elderly, childless people are taken good care of, so that peasants are not worried about their retirement.

Chen Guizun emphatically pointed out: Family planning is important and yet very difficult work. Governments at all levels must strengthen their leadership, continue the system of responsibility in family planning, and mobilize the entire society and all departments to do family planning work together. This year, we should keep the total number of births in this province under 590,000 and the population growth rate under 16.24 per thousand.

**Shanghai's Jiang Zemin Discusses Quality Control**  
*OW2803014889 Shanghai JIEFANG RIBAO*  
*in Chinese 16 Mar 89 p 1*

[Dispatch by Jiang Xinhua]

[Text] Song Jiwen, adviser to the Economic Research Center of the State Planning Commission and chairman of the China Quality Control Association, addressed the seventh annual meeting and fourth council meeting of the China Quality Control Association, which opened on the morning of 15 March. Song Jiwen said: Currently, more than 50,000 state- and collective-run enterprises in China are beginning to practice overall quality control. From 1986 to 1988, 1.63 million quality control groups were formed in China, yielding an economic return of 18.6 billion yuan. However, quality problems, due to poor management and low primary up-to-standard ratio, are causing a loss of at least 18.3 billion yuan among enterprises at and above county level, besides town and village enterprises.

Responsible persons of the departments concerned Jiang Zemin, Sheng Shuren, Yue Zhijian, Gu Chuanxun, Gao Chao, and Li Baoguo attended yesterday's meeting, held in the Jinshan Petrochemical General Plant in Shanghai. Jiang Zemin spoke at the meeting.

Song Jiwen delivered a report, entitled: "Take the Initiative in Promoting the Work of the Association To Meet the Needs of Deepening the Reform."

Jiang Zemin extended his warm greetings to the meeting on behalf of the Shanghai Municipal CPC Committee and the Shanghai Municipal Government. He said: Shanghai should not consider itself number one. It should see that the quality of its products still lags

considerably behind that of advanced products at home and abroad. Jiang Zemin emphatically pointed out: To improve the quality of products is an important part of the efforts to improve the economic environment and rectify economic order. The key to ensuring good quality is improving management. It is particularly necessary to pay attention to the quality of products that concern people's safety and health, such as electrical appliances, medicine, and food. In order to improve and stabilize the quality of their products, enterprises in Shanghai must improve management, enforce labor discipline, and step up training of their workers and staff members.

**Tax Evasion by Shanghai Self-Employed Reported**  
*OW2603221089 Beijing XINHUA in English*  
*1432 GMT 26 Mar 89*

[Text] Beijing, March 26 (XINHUA)—Eight in every ten of the licensed self-employed business people in Shanghai, China's top industrial city, evade taxes, according to the Shanghai-based "LIBERATION DAILY" on Friday.

The city's taxation bureaus checked on more than 10,000 such businessmen last year and found out that nearly 9,000 of them or 86.4 percent had evaded taxes.

Taxes thus recovered and fines made totalled over 8 million yuan in the wake of last year's general examination with each evading an average of 923 yuan, the paper cited figures released by the city's taxation bureau as saying.

The city's licensed self-employed people, including both the employers and their employees, got a net income of 530 million yuan, averaging 497 yuan per month, nearly twice the average monthly salary of the workers in state-run factories and more than twice that of the workers in collectively-run factories.

The volume of tax evasion by the city's self-employed people has been increasing in recent years, said the paper. It averaged 56 yuan in 1986, amounted to 122 yuan in 1987 and rose to 923 yuan last year. The number of the businessmen who had tried to evade taxes rose from 75.3 percent in 1986 to last year's 86.4 percent, noted the paper.

**Shanghai Jan, Feb Economic Statistics Reported**  
*HK2703095989 Beijing CEI Database in English*  
*27 Mar 89*

[Text] Shanghai (CEI)—Following is a chart showing the synopsis of Shanghai major economic indexes in the first two months of this year released by the Municipal Statistical Bureau.

	unit	1-2/88	percentage over 1-2/1987
1. total industrial output value	million yuan	16,132	6.5
—light industry	million yuan	8,799	5.2
—heavy industry	million yuan	7,333	0.1
2. freight volume	million tons	35	-2.0
3. cargo handled in ports	million tons	22	6.0
4. state-owned unit fixed asset investment	million yuan	1,159	27.0
—capital construction	million yuan	786	26.3
—renovation	million yuan	374	24.3
5. total value of retail sales	million yuan	6,249	26.0
—consumer goods	million yuan	5,959	26.0
—of which: food	million yuan	2,476	25.8
—clothing	million yuan	1,114	20.9
—daily use articles	million yuan	2,339	29.2
—fuels	million yuan	30	-2.4
6. total value of exports	million u.s.d.	682	-6.5
—light industrial products	million u.s.d.	423	-14.0
—heavy industrial products	million u.s.d.	152	23.0
—farm and sideline products	million u.s.d.	107	-6.2
7. total value of imports	million u.s.d.	409	45.2
8. utilization of foreign capital			
—number of contracts signed	items	45	2.5
—value of contracts signed	million u.s.d.	116	10.7
9. technology import			
—contracted value	million u.s.d.	54	1.1
—executed value	million u.s.d.	40	1.3
10. overseas visitors	thousand person-times	86	8.5
11. total wages of staff and workers	million yuan	2,132	20.0
12. per capita monthly wage of staff and workers	yuan	211	19.5
13. urban, rural area private savings	million yuan	14,542	9.2

### Central-South Region

#### Guangdong Surplus Workers, Labor Influx Viewed HK2703083989 Guangzhou Guangdong Provincial Service in Chinese 1000 GMT 25 Mar 89

[Roundup: "Think Deeply About the Recent Influx of Laborers Into Guangdong—A View on the Issue of Guiding Guangdong's Surplus Labor Force in Two Ways Following the Great Influx of Laborers Into Guangdong From Other Provinces"]

[Text] Looking dog-tired and bitterly distressed, the laborers who once flocked in great numbers to Guangdong Province from many provinces of the country now have to board north-bound trains one group after another on their way home after having seen for themselves the retrenched economic situation in Guangdong. They were earnestly advised to go back by the departments concerned of prefectures and cities.

The month-long ebb and flow of the tide of laborers coming to Guangdong from many provinces of the country has prompted this reporter to make a special visit to the cities and counties of Baoan, Shenzhen, Dongguan, Huiyang, Chaoyang and Chaozhou to see how several million of Guangdong's surplus labor force

face the powerful influx of laborers into Guangdong from other parts of the country. In Baoan, Dongguan and Huiyang, foreign-funded and joint venture processing industrial enterprises are dotted like checkers on a checkerboard and laborers from other provinces working here account for 500 or even 600 percent [as heard] of total local residents. No doubt, marvelous economic achievements made in these areas in recent years are mainly attributed to the efforts of laborers coming from other provinces. Then why could we hardly see workers from the Zhujiang Delta working at toy, garment, and plastics factories where no special skills are needed? Leaders of the local governments and enterprises have told this reporter: These factories are foreign investments, and investors have been attracted by the cheap labor force here. However, the commodity economy is well developed in Guangdong and most Guangdong workers hope for a high-paying job. Comparatively speaking, laborers coming from other provinces are not so choosy. Furthermore, being unaware of the comings and goings of Guangdong's labor force, small towns and factories can hardly avoid recruiting them.

The reporter has learned that on the Chaoshan Great Plain, east of Guangdong, where people used to go elsewhere to seek job opportunities, and the reform and opening up policy have offered them a vast field for

using their talents, in recent years at least 1 million people left Shantou Prefecture, which has a population of 10 million, to work in Guangzhou, Shenzhen, Guilin, and Zhejiang. However, with the implementation of the policy of cooling down the overheated economy and controlling the economic growth rate throughout the country, including Guangdong Province, Guangdong has now made millions in the labor force redundant. It seems that these surplus Guangdong laborers who are used to journeying north and south can no longer get accustomed to mechanized 8-hour factory work. A laborer who had come back for spring farming from Guilin said he once made a living as a member of transport teams and a hawker in other provinces and now does building work for the Guilin Hotel. But it is said that all provinces of the country are now dismissing laborers coming from other places and perhaps it will be very difficult for him to find a job in other parts of the country. When he was asked by the reporter whether he had intended to work for enterprises in the Zhujiang Delta, he said that he had never thought about it because he did not know how much he could be paid there.

Meanwhile, according to the provincial building committee and some other departments concerned, some building teams of Zhanjiang, Luoding and Zhaoqing that worked vigorously in Xian, Shanghai and Hangzhou in the past few years have returned to Guangdong one after another since the end of last year. Comparatively speaking, the economic foundation of cities and counties in the Zhujiang Delta remains weaker. Young people who are somewhat educated and skilled and have widened their knowledge while working in other provinces are now worried and perplexed because they can hardly get suitable jobs to display their skills in their native towns. Now some factories which need labor badly do not know where they can recruit workers, while on the other hand, millions of surplus laborers cannot get suitable jobs. This is the reality. We hope that the recent influx of laborers coming from other provinces into Guangdong will break down the barrier between the Zhujiang Delta and other parts of the province in the supply and demand of labor force, and that government organizations will guide laborers in the mountain areas and the Chaoshan Great Plain to enter the industrial zone processing customer-supplied materials or parts in the Zhujiang Delta so that millions of redundant laborers in Guangdong will be able to obtain jobs and posts in Guangdong.

**Guangzhou Party Secretary on Price Increases**  
HK2703100989 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1503 GMT 24 Mar 89

["Zhu Senlin on Guangzhou Prices, Other Issues"—  
ZHONGGUO XINWEN SHE headline]

[Text] Beijing 24 Mar (ZHONGGUO XINWEN SHE)—  
Secretary of the Guangzhou City CPC Committee Zhu  
Senlin said today that according to a recent public  
opinion poll, 90 percent of Guangzhou's residents are  
opposed to restoring the rationing of daily necessities.

Zhu Senlin made the above remarks at today's discussion held by the Guangdong delegation to the Second Session of the Seventh National People's Congress. The poll also indicates that over 90 percent of Guangzhou's residents maintain that the reform should proceed at a more rapid pace; over 60 percent believe that the price reform in Guangzhou is successful; and over 70 percent are in favor of continued deregulation of prices.

Zhu Senlin admitted that prices increased by a greater margin in 1988 than in the previous 9 years. The measures for improving the economy such as the city-wide examination of prices produced initial results last November and December. The monthly price increases for the first 2 months are less than one percent. The price increases are initially being held in check.

Zhu Senlin once again appealed to the departments under the State Council to "leave one side of the net open" in dealing with the coastal open economic zones in the drive to improve the economy. He pointed out that Guangzhou's foreign trade turnover for the first 2 months of this year has dropped by 20 to 30 percent as compared with the corresponding period last year. Operational funds are in short supply and there is a decrease in stock, with the result that foreign trade this year is in danger of "declining" across the board. At present all specialized foreign-trade corporations are short of money for purchasing goods to the amount of more than 100 million yuan and the credit granted to the foreign corporations in Guangzhou by the banks this year is even less than last year, when the amount of credit was smaller than required.

Zhu Senlin expressed the hope that the departments concerned will not go against the economic laws when working out policies, otherwise, we may achieve temporary successes but leave many problems behind.

**Guangdong To Straighten Out Transport 'Chaos'**  
HK2703044389 Guangzhou Guangdong Provincial  
Service in Mandarin 0400 GMT 27 Mar 89

[Text] The chaos in Guangdong's transport market urgently needs straightening out. The provincial communications department recently put forward an initial scheme for this.

The chaos in the province's transport market is mainly shown in the following ways: 1) Different departments issue different policies, resulting in a blind increase in the transport forces. There is great waste because vehicles spend much of their time running empty. 2) There is failure to issue tickets for payment, or else outdated or counterfeit tickets are issued. 3) There are unlawful transport operations that violate regulations; in Guangzhou the regulation violation rate is 62 percent.

The provincial communications department's scheme includes putting ticket management on a sound basis; strictly operating passenger vehicles according to the



schedules; and dealing strictly with instances of violating regulations in issuing unified tickets and speculating in, forging, or illegally printing tickets. In addition, supervision will be stepped up and management of the vehicle maintenance market will be improved.

**Vietnamese Reportedly Enter Shenzhen Illegally**  
*HK2703031289 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1512 GMT 24 Mar 89*

["Three Groups of Vietnamese Illegally Enter Shenzhen"—ZHONGGUO TONGXUN SHE headline]

[Text] Shenzhen 24 Mar (ZHONGGUO TONGXUN SHE)—For a 10-day period prior to the beginning of the month, 3 groups of Vietnamese totaling 10 persons successively came to the Guangming Animal Farm in Shenzhen to visit their relatives and friends. Accordingly, the departments concerned are adopting measures to prevent Vietnamese from entering Shenzhen.

The departments concerned believe that the uninvited Vietnamese will have an adverse effect on the normal life and social order in Shenzhen. The police are paying close attention to the development of the event.

It is reported that the ten Vietnamese were questioned by the department concerned as soon as they illegally arrived at the Guangming Overseas-Chinese Animal Farm and were ordered to leave the next day.

Most of these Vietnamese came from Quang Ninh Province of Vietnam and they came to Guangdong after they sneaked into China from Fangcheng in Guangxi Autonomous Region. It is said that they sneaked into China by taking advantage of the opportunity afforded by the opening of the border of Guangxi to trade.

**Criminal Cases on Rise in Hainan Province**  
*OW2803093089 Beijing XINHUA in English 0820 GMT 28 Mar 89*

[Text] Beijing, March 28 (XINHUA)—The number of criminal cases recorded in south China's Hainan Province, especially cases involving robbery and other types of theft, have been on the increase recently, today's overseas edition of the "PEOPLE'S DAILY" reported.

At the same time, gambling and prostitution have also appeared, the paper quoted Secretary of the Hainan Provincial Party Committee Xu Shijie as saying recently.

The reason is mainly the influx of people from other parts of China, the secretary said.

The Hainan police last year launched three crackdowns on crime.

**Southwest Region**

**Guizhou Power Shortage To Worsen in April**  
*HK2803012189 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 27 Mar 89*

[Text] Guizhou's power shortage, caused by excessive consumption and an early drop in the reservoir levels, is expected to deteriorate still further in April. The provincial government held a meeting at the Qingzhen power plant on 25 March to study countermeasures. The province should strive to maintain April power output at the March level. Vice Governors Zhang Shukui and Liu Yulin made the following demands at the meeting:

1. The provincial power bureau must improve deployment within the power industry. Given the drop in hydroelectricity, thermal power plants must step up output as much as possible. The province should strive to maintain April power output at the March level and close to the level of last April.
2. The economic commissions and electric power offices at all levels should increase power consumption during the night trough period and avoid the peak periods.
3. The petroleum and coal departments must give priority to ensuring oil and coal supplies for power generation.
4. Strictly control power consumption of small blast furnaces and metallurgical enterprises, which consume a great deal of energy.
5. All sectors and trades must do a good job in planned and economical power consumption.

**Tibetan CPPCC Member on Reasons for Riots**  
*HK2403134189 Beijing ZHONGGUO XINWEN SHE in Chinese 0333 GMT 22 Mar 89*

[Report by ZHONGGUO XINWEN SHE reporter Tian Di (3944 0966): "'Tibet Can Become Prosperous Only When There Is a Long Period of Tranquillity'—an Interview With CPPCC Member Pingkang Cirendunzhu (1627 1660 2945 0088 7319 3796)"]

[Text] Beijing, 22 Mar (ZHONGGUO XINWEN SHE)—"Only when there is a long period of good administration and permanent stability can Tibet attain prosperity," said Tibetan member of the CPPCC [Chinese People's Political Consultative Conference] National Committee Pingkang Cirendunzhu when commenting on the Tibet issue.

Pingkang Cirendunzhu is undoubtedly the best qualified to speak on this issue. He comes from the 11th Dalai Lama's family and experienced the peaceful liberation of Tibet and the rebellion in 1959. He was appointed senior

official of the former Tibetan government and is currently vice chairman of the Lhasa City People's Congress Standing Committee and vice chairman of the Lhasa City CPPCC Committee. He is a genuine Tibetan.

As martial law is in force in Lhasa and it has not been long since the dark cloud caused by the riots dispersed, it was natural that our conversation began with the riots, which are of popular concern. He said: "The central government has made great efforts to develop Tibet and its progress in all fields is undeniable. A few separatists stirred up trouble in Lhasa, but the masses are resentful of and dissatisfied with them. Most of us patriots of the upper strata are strongly against them."

Pingkang considers the curfew imposed by the government necessary. It really protects the people from attack and property from damage and prevents beating, smashing, looting, arson, and casualties. At the same time he admitted martial law has caused people some inconvenience.

"Calm has returned to Lhasa now, but the problem is whether it will remain calm for a long time. Without permanent stability, construction and development in Tibet is out of the question." His swarthy face, characteristic of people living on the plateau, betrayed his anxiety.

Why were so many people involved in the riots? Pingkang said: "While the central government's policies toward Tibet are correct, mistakes have been committed in the work of carrying out the policies. Over the 30 years since the peaceful liberation the support the central government has given to Tibet has been so great that we feel very surprised, but the support has failed to produce due results. Under the feudal serf system Tibet was low on the scale of civilization and education was nonexistent. The central government has appropriated considerable sums for developing education in Tibet, but so far there is only one university, Tibet University, in the whole autonomous region. There are no colleges in Lhasa. There are quite a number of primary and secondary schools, and they are not inferior to their counterparts in the interior where equipment is concerned, but the quality of teaching is very low. The crux of the matter is a lack of intellectuals. Before coming to Beijing to attend the meeting, we inspected schools in Lhasa, and the headmasters we met hoped that we would appeal to the central government in Beijing to lose no time in sending a number of intellectuals to Tibet."

"Will not this give a handle to some people abroad who have brought a false charge against China by saying that the government has been bringing Han people into Tibet?" this reporter asked.

"There is indeed such an allegation by some people abroad who have an axe to grind, but the Tibetan people welcome support from the interior because this does good for Tibet. How can Tibet develop without support from the interior?"

He candidly pointed out that difficulties in housing are what the masses are quite dissatisfied with. At present there are many people in Lhasa with no roof over their heads as a result of a big increase in the population, an increase in the number of adults, and the deterioration of old premises. Repairs on a small scale done by the city government are of no avail and it is necessary to pool funds to build a large number of houses in a planned way. Several years ago Tibet accomplished 43 major projects, including Lhasa Hotel, which was well built, with the help of the central government and the interior. But the funds did not go "where they should have." The citizens feel the projects have nothing to do with them since they still have to live in very small and shabby houses the occupants of which have to light lamps during the daytime. The area just outside the city gates, which was the scene of several riots, is the most crowded area, and it is difficult to say that some people did not take part in the riots out of their dissatisfaction with the housing problem. For this reason, the local CPPCC has suggested to the central government appropriating special funds every year for building houses in Lhasa.

Pingkang said the central government gives Tibet 900 million yuan every year. It is a large amount and it should be spent on the projects which are most needed by the masses. Lhasa cannot support itself and lives on loans. It is imperative to introduce reform. In recent years a few citizens have become well-off; the government should help the majority to get rich. He believed that in our efforts to solve the problems in Tibet the central and local governments should, apart from cracking down on the separatists, help the Tibetan people to overcome their practical difficulties, do solid things for them, strengthen political and ideological education and education in the legal system, develop education, and improve the cultural quality.

Pingkang, 56, comes from famous Tibetan nobility: The Raoxi Pingkang clan. His ancestors were a poor small household in the Kangding area, and his family did not become illustrious until the 11th Dalai Lama was born to it. He was a senior official of the local government in Gaxia [0867 0633] when he was young, responsible for supplying grain for three major monasteries in Lhasa. He said that he refused to take part in the 1959 rebellion for the reason that he firmly believed that Tibet is a member of the big family of China. He was invited to look around the interior in 1953 and was deeply impressed by the motherland. Therefore he is disgusted with the rebellion designed to split the motherland. He sticks all the more to this attitude now.

#### **Tibet Leader on Propaganda, Grass-Roots Building**

HK2503/22189 Lhasa Tibet Regional Service  
in Mandarin 0100 GMT 25 Mar 89

[Excerpts] On 23 and 24 March, the Tibet Regional CPC Committee invited responsible comrades of some residents' committees and offices in the Chengguan district

of Lhasa City to a forum to discuss the questions of how to do a good job in propaganda and education for the masses and step up grass-roots building. Secretary Hu Jintao, Deputy Secretaries Basang and Dangzin, and responsible comrades of departments concerned such as the organization and propaganda departments of the regional party committee attended the forum. [passage omitted]

Comrade Hu Jintao said: Our grass-roots cadres are loyal to the party's cause and to the state and the people. They have worked hard in the grass roots for the party for several decades. In particular, during the several riots in Lhasa, heedless of personal safety, you have always battled in the frontline. The whole body of party members and cadres should learn from your spirit of being highly responsible to the party and the people.

Comrade Hu Jintao said: How to ensure that the situation becomes further stabilized and achieves a long period of tranquillity is an issue of common concern to the cadres and masses. It is also an important task facing us. It is absolutely essential for us to strike down the arrogance of a few separatist elements by relying on the force of the people's democratic dictatorship, but it is even more important, and most fundamental, to mobilize and rely on the masses and form a vast mass ocean. The small number of separatists will then have no market for their splittist activities, and they will have no place to strike root.

Comrade Hu Jintao also gave the following views on stepping up grass-roots building and doing a good job in propaganda and education for the masses:

1. It is essential to do a good job in building the grass-roots party organizations and give full scope to the fighting force role of the party organizations and the vanguard and model role of the party members. We must promptly convey to the grass-roots party organizations and party members the CPC Central Committee's instructions, guidelines, and policies regarding work in Tibet, and ensure that our party members will at all times remember the lofty duty of a party member and that all our party members can take a firm and clear-cut stand in the struggle against separatism.

2. Do a thoroughly sound job in ideological and political work for the masses. By means of the party members, we should do a good job of work regarding activists and further organize the contingent of activists. We should not cold-shoulder or discriminate against those masses who still harbor various muddled ideas, but should take the initiative to unite them and publicize to them the relevant central decisions and the party's relevant policies. We must also work to win over, polarize, and educate those masses who were hoodwinked into demonstrating and troublemaking. Our targets for attack are

those few separatists and those rioters who indulged in beating, smashing, looting, and burning to a serious degree. We must deal resolute and merciless blows at these people.

3. We must integrate conducting propaganda and education work with resolving certain difficulties universal among the masses. Difficulties of various kinds exist among the masses in all fields of production and daily life. Since the imposition of martial law, the region, Lhasa City, and the Chengguan District have adopted measures and done some necessary things, which should be continued. Through the behavior and practical deeds of the party committees and government at all levels, we should enable the masses to gain a better understanding of the party's policies and better unite around the party.

4. We should further establish and put on a sound basis the various work systems of the offices and residents' committees. We must be concerned for the woes of the grass-roots cadres and solve their practical difficulties, to ensure that grass-roots work will meet the requirements of the new period, of the current antiseperatist struggle, and of further invigorating and developing the economy and building the four modernizations.

Summing up, strengthening grass-roots building is not just an expedient or something we have thought up just because of the riots. It is a summation of the party's positive and negative experiences of the practice of more than 30 years of struggle in Tibet. We will still need to step up grass-roots political power building in the future when the economy develops, living standards improve, and our economy is invigorated.

Comrades Basang and Dangzin also spoke at the forum. [passage omitted]

**Army Paper Cited on PLA Officers in Tibet**  
*OW2703144789 Beijing XINHUA in English*  
1325 GMT 26 Mar 89

[Text] Beijing, March 26 (XINHUA)—Tibetans make up 66 percent of the total officers under the Tibet Regional Military Command of the Chinese People's Liberation Army, the "LIBERATION ARMY DAILY" reported today.

They account for 70 percent of the officers under county militia departments, the paper added.

Since 1980, the regional military command has sent 14 senior officers and 743 Tibetan men to the Beijing-based National Defense University, China's highest institution of military learning, and the Institute of Infantry for advanced study. So far, 84 percent of the Tibetan officers in the region have a college education, the paper reports.



"The Tibetan officers have made an outstanding contribution to the stability of Tibet over the past three decades," said Jiang Hongquan, commander of the Tibet Military Command.

#### **Tibet Program To Upgrade Road Network Planned**

OW2803053489 Beijing XINHUA in English  
0218 GMT 25 Mar 89

[Text] Beijing, March 24 (XINHUA)—A program to upgrade roads in Tibet promises to solve problems now harassing the road network serving the vast region on the "roof of the world."

Minister of Communications Qian Yongchang announced the program to Tibetan deputies to the National People's Congress (NPC) attending its current session.

Qian was responding to proposals from Tibetan deputies calling for upgrading the existing road system in Tibet during a group discussion on Premier Li Peng's report on government work delivered on Monday. The deputies expressed concern that an underdeveloped road system, the mainstay of the communications network, is hampering economic development in the region. They call for greater attention from the central government.

Soinam, a deputy and vice commissioner of Xigaze prefectural office, enumerated problems that plague roads in Tibet: poor quality, constant cave-ins, avalanches in winter and landslides in summer. Outdated facilities for maintenance fail to meet the special conditions there, he said.

The minister of communications concurred with Soinam, saying that Tibet's unique geography, marked by high altitudes and poor geological conditions, demands greater efforts in the construction and maintenance of roads.

A deputy from Medog—the only county in China still inaccessible by car—made an appeal for the construction of a 140-km highway leading to his county.

The deputy, Gyain Dzin by name, said construction of the highway from Bomi County to Medong will cost 100 million yuan. "We understand the central government has its own financial difficulties, but the investment is beyond our means."

In response, Qian Yongchang said his ministry will do its best to build a highway for Medog as soon as possible.

#### **Stupa Construction Group Formed in Tibet**

OW2603221689 Beijing XINHUA in English  
1453 GMT 26 Mar 89

[Text] Lhasa, March 26 (XINHUA)—A leading group in charge of the construction of a stupa and a memorial palace to house the body of the 10th Panchen [Lama, Bainqen] Erdini Qoigy Gyaincain, upon the approval of the State Council, was formed here today.

Doje Cering, chairman of the Tibet Autonomous Regional People's Government, heads the 12-member group.

The three deputy heads of the group are Gyibug Puncog-cedain, vice-chairman of the Tibet Autonomous Regional People's Government, Zheng Ying, vice-chairman of the Regional Committee of the Chinese People's Political Consultative Conference (CPPCC) and Qazha Qamba Chili, vice-chairman of the Xigaze Prefectural committee of the CPPCC and abbot of the Zhaxi Lhunbo Lamasery

The seven advisors to the group include Pagbalha Geleg Namgyai, vice-chairman of the National Committee of the CPPCC and vice-president of the Buddhist Association of China, living Buddha Gyalyab, the Panchen's sutra teacher and Kugung Cedain, the Panchen's father.

Panchen Lama died of a sudden heart attack in his new residence in Xigaze, Tibet, on January 28 this year at the age of 51.

#### **Tibet Publishes Ancient History, Culture Books**

OW2803120589 Beijing XINHUA in English  
0647 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—Rare books on the history and culture of Tibet have been collected and published recently by the Tibetan Language Ancient Books Publishing House, according to today's "GUANGMING DAILY".

In ancient times many Tibetan scholars wrote works on the politics, economics, history, culture, social conditions and religion of Tibet. But as Tibet had no means of printing them, only one hand-written copy of some of them survived.

Since 1980 a group has been collecting ancient books and now has more than 230 hand-written copies in the Tibetan language. They were written between the Tang and Qing Dynasties (618-1911). Thirteen have now been published.

The paper quotes a Tibetan official as saying that each book was subsidized with 170,000 (one yuan to 0.27 U.S. dollars) yuan by the state.

The Tibetan authorities plan to publish five ancient books with a total of about 2 million words every year.

### North Region

#### **Beijing Cuts More Construction Projects** *OW2703045889 Beijing XINHUA in English* 0303 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—Beijing has cleaned up 119 capital construction projects relating to hotel, restaurant, meeting hall and office building and decided to cut or postpone construction of 2.315 million square meters of floor space.

This saves 3.46 billion yuan of investment, accounting for 25.1 percent of the total investment Beijing put in construction of fixed assets last year, according to today's "PEOPLE'S DAILY".

During the first three months this year, new projects opened to construction is just 20 percent of the total amount opened during last year's same period.

The paper quoted an official from the Municipal Committee of Urban and Rural Construction who said the local authorities would give priority treatment to ensure construction of key projects.

#### **Beijing Power Shortage To Ease 'Next Year'** *OW2403202089 Beijing XINHUA in English* 1504 GMT 24 Mar 89

[Text] Beijing, March 24 (XINHUA)—The acute power shortage in China's capital will be eased considerably by next year, with several power plants nearby going into operation, according to Minister of Energy Resources Wang Yicheng today.

The state will speed up the construction of the Shijingshan Thermal Power Plant, west of Beijing, so as to ease power shortages that have plagued the capital in recent years, Wang told Beijing deputies to the National People's Congress (NPC) in session.

Besides, four other plants near Beijing are expected to become operational this year or next, he added.

A general power shortage has resulted from the unbalanced development between the power industry and the power-consuming sectors, according to Wang.

The power shortage turns up despite record output of coal and electricity in 1988: coal totalled 970 million tons, up 4.1 percent over the previous year, and electricity supply grew 9.2 percent.

During a group discussion with NPC deputies from Beijing, the minister urged the capital to refrain from consuming power excessively, citing the figure of 13 billion kilowatt-hours used by Beijing last year, up 25 percent over 1987.

But Beijing Mayor Chen Xitong said he would prefer to cut back power supply to the industries to ensure the daily needs of his citizens.

Wan Li, chairman of the NPC Standing Committee, joined the minister of energy resources in calling for economy. With an increasing number of electrical appliances going into the households and of highrise buildings, he said, people are using far more electricity than before. The average family consumes 50-60 kilowatt-hours more now, according to a recent survey.

While the society as a whole should be mobilized to develop power undertakings, the NPC leader called for measures to consume less electricity on the part of the households.

Currently, 40 percent of the total investment in China's power industry comes from non-government sources.

During the discussion, several deputies proposed levying taxes on the use of air-conditioners, microwave ovens and other appliances that consume much electricity.

#### **Beijing To Improve Services for Asian Games** *OW2403192789 Beijing XINHUA in English* 1442 GMT 24 Mar 89

[Text] Beijing, March 24 (XINHUA)—Beijing is to launch a campaign next month to improve its service for the 11th Asian Games, Mayor Chen Xitong announced here today.

A special commission has been set up for the campaign, which will begin with regulating the traffic in the Chinese capital, he said.

The 11th Asian Games will be held in the autumn of 1991. It is the best season of the city in terms of weather, the mayor noted.

"We have the best food in the world, and we will offer delicious and nutritious food to the sportsmen and tourists from different parts of Asia and elsewhere," he said.

There might be a shortage of hotel rooms, but all the guests could be housed, he said, adding that "no one will be stranded at the airport."

"And the security is out of the question," Chen asserted.

#### **Beijing University President on Aim of Education** *OW2403012189 Beijing XINHUA in English* 1316 GMT 23 Mar 89

[Text] Beijing, March 23 (XINHUA)—The president of Beijing University, Ding Shisun, says in a recent issue of "CHINA YOUTH NEWS" that the genuine purpose of education is to raise the quality of people.

The once popular slogan "education serves the class struggle" is undoubtedly wrong, he says. Yet the present slogan, "education serves economic construction," is not perfect either, for it will make people narrow-minded.

Ding says that what he worries about most is the quality of the Chinese people in the 21st century. If the quality of the whole nation is high, it will produce experts; if it is not, the few experts will be of no use to it.

Three qualities are important in people:

First, the future generation should learn some basic moral standards and how to get along with people, for society is collective.

Common sense is also important for young people. Without it, they will find it difficult to deal with everyday problems.

The future generation should also know how to think, what to think about, how to raise questions and how to solve them, for he wants it to be wiser than the generation that preceded it.

As for school-weariness, Ding attributes it to improper respect for knowledge. When he was young in his hometown, he says, a local primary-school principle was highly respected, not because of his money but because of his knowledge.

Ding contends that the key reason for school-weariness is that people do not truly think highly of knowledge.

**Inner Mongolia Accord on Eastern Region Signed**  
SK2803051389 Hohhot Inner Mongolia Regional  
Service in Mandarin 1130 GMT 27 Mar 89

[Excerpt] The agreement on first-phase agricultural development that had been reached by the autonomous regional leading group for agricultural development and the four leagues and cities in the east part of the region was formally signed in Tongliao City on 24 March.

This 3-year agreement on agricultural development stipulates that by 1991, the gross grain output of this developmental area will reach 3.15 billion kg, an increase of 624 million kg over the 1987 figure. Of this, the total output of wheat will increase by 120 million kg and that of paddy rice will increase by 200 million kg. By the end of 1991, the total number of animals in this developmental area is expected to reach 4.685 million head, an increase of 768,000 head, and that of pigs is expected to reach 1,972,400 head, an increase of 267,500 head.

In addition, the agreement stipulates the specific goals of the total output of oil-bearing crops and beet roots, the total agricultural income, and the per capita income of peasants. The 330 million yuan of investment for developing this area should be jointly raised by the state; the

autonomous region; and the pertinent leagues, cities, banners, and counties. This sum of investment includes the 40 million yuan of state allocations and 30 million yuan of state loans granted to the region every year, and the 40 million yuan of funds allocated by the regional authorities, with the rest raised by various related leagues, cities, banners, and counties themselves. The funds raised by the region itself account for 30 percent of the total investment. [passage omitted]

**Li at Tianjin Consultative Committee Inauguration**  
SK2603125989 Tianjin TIANJIN RIBAO in Chinese  
10 Mar 89 p 1

[Excerpts] The third consultative committee of the municipal government has been inaugurated. On behalf of the municipal party committee and the municipal government, Li Ruihuan, secretary of the municipal party committee and mayor of the municipality, extended cordial congratulations to the committee.

On the morning of 9 March, municipal leading Comrades Li Ruihuan, Nie Bichu, and Liu Jinfeng and all members of the consultative committee sat together around a table at the municipal cadres' club to have a heart-to-heart talk. During the talk, members of the consultative committee spoke their minds freely, offered advice, composed poems, and aired their own views, thus expressing the loyal heart of veteran comrades. [passage omitted]

Li Ruihuan fully affirmed the consultative committee's important role in developing Tianjin's stability and unity. He said: The consultative committee has played an important consultative and advisory role in helping the municipal government make policy decisions and carry out its work. Despite their advanced age, members of the consultative committee have gone deep into grass-roots areas to conduct investigations and studies and have provided the municipal government with many reports on their investigations and studies or with many suggestions on the government's work. This is the fruit of the veteran comrades' painstaking labor and has manifested the members' devotion to the party's cause. It should be said that Tianjin's tremendous changes involve the painstaking labor of veteran comrades and its achievements include their contributions. Your magnificent achievements will be brought into line with the history of Tianjin's development.

In his speech, Li Ruihuan stressed: Leaders at all levels and in all circles should be concerned with and give support to the consultative committee's work. First, we should provide information for veteran comrades so that they can understand in a timely manner the guidelines of the central authorities and the municipal party committee and can learn about the central work of the municipal government and the situation of the whole municipality. Second, comrades in the forefront should voluntarily raise some questions and invite veteran comrades of the consultative committee to help them study and answer



these questions. Third, we should earnestly approach the opinions and proposals of veteran comrades. All opinions and proposals which can be accepted should be accepted and put into effect, and explanations should be given for those which cannot be accepted at the present time. Fourth, the municipal government should try every possible means to help improve the consultative committee's working conditions, and various departments and units should also respect and give support to the veteran comrades. Such a practice should be made a general mood of society.

In conclusion, Li Ruihuan expressed the hope that in doing the work in the future, the consultative committee will act according to its capability. Because health is above everything else, members should be encouraged to conduct fewer but more precise investigations and studies. Members should also be encouraged to stress practical results, not quantity.

Also speaking were Nie Bichu, honorary chairman of the consultative committee of the municipal government and vice mayor of the municipality; Huang Yanzhi, member of the Standing Committee of the municipal party committee; Zhang Lichang, vice mayor of the municipality; and Fang Fengyou, secretary general of the municipal government.

Present at the talk were Wang Xudong, member of the Standing Committee of the municipal party committee; Wang Liji and Hu Xiaohuai, advisers to the municipal government; and Fang Fang, secretary general of the municipal party committee.

Song Zhuqin, chairman of the consultative committee of the municipal government, presided over the talk.

Composed of 189 members, this newly inaugurated consultative committee of the municipal government is a high-level policy consultative organ which is primarily organized by veteran scholars, specialists, and cadres.

**Li Ruihuan Letter to Tianjin Handicapped Congress**  
*SK2603131589 Tianjin TIANJIN RIBAO in Chinese 10 Mar 89 p 1*

[Text of letter from Li Ruihuan, secretary of the Tianjin Municipal CPC Committee and mayor of Tianjin Municipality, to the First Congress of the the Tianjin Municipal Federation of Handicapped People on 9 March 1989]

[Text] Fellow representative comrades:

Upon the opening of the First Congress of the Tianjin Municipal Federation of Handicapped People, a happy occasion, I would like to extend my warm congratulations to the congress! I would also like to extend cordial greetings to handicapped people, their family members, and handicapped workers throughout the municipality!

The undertakings for handicapped people are lofty, progressive, and glorious. The convocation of the First Congress of the Tianjin Municipal Federation of Handicapped People will certainly bring new vitality, hope, and confidence to handicapped people in the municipality and will certainly effect still greater progress in the work concerning handicapped people.

I hope that all comrades will hold high the banner of socialist humanism and will continue to push forward Tianjin's undertakings for handicapped people.

May this congress be successful!

**Northeast Region**

**Jilin CPPCC Official Gives Work Report**  
*SK2803034089 Changchun JILIN RIBAO in Chinese 5 Mar 89 p 3*

["Excerpts" of report on the work of the Standing Committee of the Sixth Jilin Provincial CPPCC Committee given by Feng Ximing, vice chairman of the provincial CPPCC Committee, at the Second Session of the Sixth Jilin Provincial CPPCC Committee on 1 March]

[Excerpts] Fellow committee members:

Entrusted by the Standing Committee of the Sixth Jilin Provincial CPPCC [Chinese People's Political Consultative Conference] Committee, I now submit a work report to the session for discussion.

I

The year 1988 was the first year in carrying out the work of this CPPCC Committee. During the past year, under the leadership of the Jilin provincial party committee, the Standing Committee of the Sixth Jilin Provincial CPPCC Committee concentrated its work on the central tasks of the province. While strengthening the building of its own foundation and the foundation of organs in line with the characteristics of the CPPCC organizations, the provincial CPPCC Committee also strengthened the building of socialist democratic politics in order to promote reform, opening up, and the building of the two civilizations; invigorated Jilin's economy; promoted the peaceful reunification of the motherland; actively carried out various meetings and activities; and achieved definite results. During last October in particular, the provincial party committee held the second provincial CPPCC Committee work conference and formulated "stipulations on strengthening political consultation and democratic supervision." After that, the party committees at all levels strengthened and improved leadership over the CPPCC work. The CPPCC organizations at all levels conscientiously implemented the guidelines of the conference, and made the political consultation and democratic supervision become more institutionalized, regularized, and standardized.

A. We took the overall situation into account, discussed major affairs, and displayed the basic functions and role of the CPPCC.

Political consultation and democratic supervision are the basic functions of the people's CPPCC. To fully display the basic functions, raise the level of participating in and discussing political affairs, and serve as good advisers to the party and government in making overall policy decisions, we must take the overall situation into account, discuss major affairs, and fully display the integrated functional role of the committee members. During the past year, we adhered to this guiding ideology, took the initiative in conducting political consultation on some major affairs of strategic and crucial importance concerning the overall situation, and actively displayed its democratic supervisory role by offering opinions and suggestions, which aroused the attention of the party committee, the government, and the departments concerned. [passage omitted]

B. We institutionalized political consultation and democratic supervision, and promoted the building of socialist democratic politics in the province.

Institutionalizing and regularizing political consultation and democratic supervision, building a basically perfect regulating mechanism, and overcoming arbitrariness and formalism are the objective demands of the development of the CPPCC work, as well as the problems crying for urgent solution in building socialist democratic politics. The second provincial CPPCC Committee work conference held by the provincial party committee considered political consultation and democratic supervision as the topic for discussions; submitted this topic for discussions by the principal leaders of the provincial party committee, the government, and the CPPCC Committee present at the conference; heard speeches given by He Zhukang, Wang Zhongyu, and other leading comrades; further enhanced understanding; and clarified the orientation. Based on this, the provincial party committee issued a document to clearly define the principle, content, form, and procedures for carrying out political consultation and democratic supervision, thus making the building of the socialist democratic politics of our province advance a step forward. [passage omitted]

C. We organized committee members to conduct investigations, inspection, and consulting service activities, and offered plans and efforts to build the two civilizations.

Organizing committee members to conduct investigation and inspection activities is one of the most important aspects to make the committee members know the facts and exert efforts as well as the precondition for displaying the major functions and role of the CPPCC committees. Therefore, during our investigation and inspection activities, we persisted in selecting the subjects, stressing the main points, conducting meticulous but not complicated

inspections, and setting our sights on serving the development of the productive forces. During the past year, through conducting inspection activities, carrying out special investigations and holding special report meetings, and organizing consulting service activities on several occasions, we grasped the prominent problems concerning our province's economic and social development and the people's livelihood, displayed the advantage of the CPPCC committees of having many trained personnel, and succeeded in promoting the development of our province's economic construction and all social undertakings. [passage omitted]

New progress was made in consulting services. We cosponsored, with Baicheng Prefecture and Zhenlai and Tongyu counties, the holding of animal husbandry training courses; invited experts and scholars from departments concerned to give lectures; and played a definite role in training personnel, disseminating scientific knowledge, and promoting the development of animal husbandry in that prefecture. This move was appreciated by the local party and government leaders and the masses. We continued to help Wangqing County hold training courses for industrial enterprise management personnel. Last year, we trained more than 50 persons. [passage omitted]

We strengthened lateral cooperation in CPPCC work. We attended the CPPCC work meeting jointly held in Hohhot by four provinces and regions, exchanged experience and information, and probed into the new situation and problems in CPPCC work under the new situation of reform and opening up at the CPPCC administrative work meeting jointly held by four provinces and regions in our province and at the cultural and historical data coordination meeting of the three northeast provinces. Leading comrades of the provincial CPPCC Committee also led some office cadres to conduct investigations in Baicheng and Jilin to understand the situation of the CPPCC work at the grass roots, and to exchange views on their work in an effort to strengthen ties with and guidance over the work of the CPPCC committees. Through running XIESHANG XIN BAO and ZHENGXI JIAN BAO well, we exchanged the CPPCC work experiences with various localities and disseminated information.

During the past year, we received 13 delegations and groups, a total of 105 persons, from the national CPPCC Committee and from 13 provincial and city CPPCC committees to our province. Under the support of the provincial party committee, the provincial government, and the local party committees, governments, and the CPPCC committees, we fulfilled the work of receiving them in a fairly good manner. Through this, we mutually exchanged experiences, strengthened ties with the committee members, and invigorated our province's CPPCC work.

D. We handled the motions raised by the committee members through various forms, and paid attention to displaying the role of motions in building the socialist democratic politics.

Along with the development of our province's socialist democratic politics, more motions were raised by committee members, the contents became more comprehensive, and the quality higher. Since the first session of the sixth provincial CPPCC Committee, we have received 301 motions from committee members, a record year. By the end of 1988, we handled and answered 292 motions, accounting for 97 percent of the total number of motions. The rest of the motions are being handled. Of these 292 motions, 32.2 percent of them have either been adopted, basically implemented or are being implemented; 57.5 percent of them are being studied and handled or are ready to be listed into the plan; and 10.3 percent of them have remained unresolved for various reasons. [passage omitted]

E. We conscientiously collected, saved, compiled, and published historical data and achieved new progress in carrying out the cultural and historical data work.

After the first session of the Sixth CPPCC Committee, the new cultural and historical data committee, on the basis of the original work, adopted effective measures and actively carried out the work of collecting and saving cultural and historical data. The work emphasis was placed on collecting and saving the historical data of leaders of the provincial-level democratic parties. [passage omitted]

F. Proceeding from doing the basic work well, we actively developed overseas contacts.

During the past year, our committee developed overseas contacts closely around the central tasks of the entire party; attended to the basic work in line with our own characteristics; and achieved new progress in strengthening ties with "compatriots from Hong Kong and Macao, Overseas Chinese compatriots, and Taiwan compatriots," serving as links and bridges in "the imports of technology, funds, and trained personnel" and in strengthening friendship and unity.

Along with the deepening of reform and openness, more "compatriots from Hong Kong and Macao, Overseas Chinese compatriots, and Taiwan compatriots" came to our province to visit relatives and friends, to tour, to make investments, or to engage in commerce. Through paying visits or holding talks and forums, we maintained close ties with committee members and enabled them to better understand the CPC policy of "one country, two systems," and to be encouraged by the excellent situation of the motherland. Many "compatriots from Hong Kong and Macao, Overseas Chinese compatriots, and Taiwan compatriots" expressed their willingness to develop various forms of contacts with our province and to make contributions to invigorating Jilin. [passage omitted]

G. We carried out our work closely around the guiding ideology of serving committee members and further strengthened the building of organizations, work style, and ideology of organs.

We replenished and strengthened all special committees. Special committees are the specific work departments of the CPPCC committees and the important channels for establishing ties with the committee members. In order to better exercise our basic functions of political consultation and democratic supervision, last April, in the light of the reality of the CPPCC work and in accordance with the tasks being undertaken, we asked for instructions and approval from the relevant departments, and established an additional social legislative committee. At present, the provincial CPPCC Committee's internal organs include six special committees and one department, namely, the Economic, Scientific, and Technological Committee; the Cultural, Educational, and Public Health Committee; the Social Legislative Committee; the Committee for Reunification of the Motherland; the Cultural and Historical Data Committee; the Motions Committee; and the General Office. In line with the principle of making cadres meet the four requirements, we selected and transferred a group of cadres to assume leading work at the special committees and the general office. During the first half of last year, all special committees formulated general rules, regulations, systems, and work methods, held meetings of committee members, strengthened foundation work, and conducted flexible and diverse activities in line with their own work spheres. [passage omitted]

## II

Fellow committee members, we bade farewell to the outgoing year in a happy mood and greeted the new year. This is the first year to implement the principle defined by the 3d Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying the economic order, and comprehensively deepening reform. As far as our provincial CPPCC Committee is concerned, this is the first year to implement the stipulations of the Jilin provincial party committee on "strengthening political consultation and democratic supervision." In line with the demands of the provincial party committee and the reality of the CPPCC work, the basic tasks and general demands of the 1989 CPPCC work are: Under the unified plans of the Jilin Provincial CPC Committee, we should concentrate our work on the province's central tasks; fully display the basic functions of political consultation and democratic supervisions of the CPPCC Committee; further improve the system of multiparty cooperation and consultation under the leadership of the Communist Party and the system of political consultation; and unite with and lead all committee members and the persons from various circles with whom they have established ties to conscientiously implement the line of the 13th CPC Congress and the principles of the 3d Plenary Session of the 13th CPC Central Committee, to actively participate in the work of improving the economic environment, rectifying the economic order, and deepening reform, and to make contributions to promoting steady and coordinated development in our province's economic construction and various undertakings. [passage omitted] III



After the CPPCC work conference held by the provincial party committee, the provincial CPPCC work has encountered a new situation and new tasks. We must conscientiously seek ways to display the basic functions and role of the CPPCC committees in the course of improving the economic environment and rectifying the economic order; to implement the stipulations well, and realistically advance our work of building a series of systems a step forward; and to make the organs meet the provincial party committee's requirements of the CPPCC work, to adhere to the orientation of serving the committee members and to build spiritual civilization units, and must exert efforts to realize solutions. We can say that all committee members must shoulder heavy responsibilities and burdens in order to fulfill the new tasks and come up with solutions to the new subjects. We must achieve new progress in all fields of work with our solid work and good mental state. [passage omitted]

**Liaoning City Holds Conference on Opening Up**  
*SK2703035389 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 24 Mar 89*

[Text] At today's Dalian City conference on opening to the outside world, Wei Fuhai, mayor of Dalian City, pointed out that the level of opening up should be raised continuously during the process of improvement and rectification.

Wei Fuhai said: To ensure that the plans for foreign exchange earnings through export are fulfilled, all production enterprises which enjoy the authority of import and export should undertake the export plans of the state and the city. All those that lack the ability to undertake the plans for export to earn foreign exchange should stop their businesses with foreign countries this year without exception. To absorb direct foreign investment in an active and effective manner, Dalian City, aiming at establishing enterprises into which foreign funds are grafted, will select 30 established enterprises this year for which invitations for international bids will be held in groups and at different times in order for foreign firms to invest in and purchase stocks from them, as well as participate in their operation and management. In developing new projects, we should put the supply of raw materials and the marketing of products on the world market, and make use of the abundant domestic raw materials. Enterprises where conditions permit should develop processing and assembling projects with materials and specifications provided by foreign firms and compensation trade. We should resolutely curtail non-productive projects and projects in which the technology is mediocre and which yield poor economic results, are built in duplication, consume a great amount of energy resources, and pollute the environment. While actively using foreign government loans and successfully importing technology, we should emphatically encourage the state, collectives, and individuals to export labor service through various measures. We should support enterprises to combine the export of technology with that of labor service, invest and build plants overseas, and

establish a multilayered and multichannel pattern for foreign economic and technological cooperation. We should further relax the policies related to labor service export. All trades and professions in the city, no matter whether state-owned, collective, or individual, may export labor services to foreign countries as long as they have the capacity and are provided with the necessary conditions. We should encourage redundant personnel of enterprises, unemployed laborers in society, and peasants to rely on their relatives and friends to engage in labor service individually. Wages of people engaged in labor service overseas should be deregulated to ensure more pay for more work and less pay for less work.

**Deputies in Liaoning's Dalian Conduct Supervision**  
*OW2803104289 Beijing XINHUA in English 1508 GMT 27 Mar 89*

[Text] Dalian, March 27 (XINHUA)—A director of the Health Bureau of Dalian City in northeast China's Liaoning Province is facing possible dismissal as the Municipal People's Congress has set up a special committee to investigate his work.

Li Xuewen, the Health Bureau director, failed to give a satisfactory explanation for the poor health care in the city at a plenary session of the People's Congress last week.

Wang Liquan, a deputy to the congress who raised the inquiries on the poor health care for children and inadequate medicine management in the city, made a proposal with 104 other deputies that the director be dismissed.

The 433-member congress examined the proposal and decided to set up a special committee for a two-month investigation into the case before making the final decision on whether or not the director should be dismissed from his post.

Wang, who is an ordinary policeman, became a deputy to the congress in 1976 and was later re-elected several times.

He recalled that "when I first served in the congress, I simply raised my hand and approved whatever was raised at the meeting."

"Now I feel I shoulder a heavy responsibility entrusted by the constituency and I should live up to its expectations," he added.

Just before the recent meeting, Wang received 20 letters from the constituency complaining about the work of the city's health departments. He then inspected hospitals and health administration institutions in the city along with other deputies.

"Our proposal for the removal of the bureau director is based on what we found during the inspections and the director's incompetence was shown at the congress's session," Wang said.

In contrast, Dalian's mayor, Wei Fuhai, won praise from people's deputies at the meeting for his efforts to improve the supply of vegetables, eggs and meat in the city.

Only a year ago, Wei was severely criticised by people's deputies for the shortage of non-staple food—each resident in Dalian could then get only four eggs a month.

Wei made a televised self-criticism to Dalian residents and then launched a campaign to expand non-staple food production.

As a result, 500 hectares of vegetable gardens were built, and 31 chicken farms set up.

Within a year, the supply of food items was increased by 11 to 40 percent, to the satisfaction of local residents.

"It is the people's deputies who have brought about the improved supply," the mayor said.

In a recent public opinion poll organized by the "DALIAN EVENING NEWS", 90 percent of the citizens approved the work of the Municipal People's Congress.

### Northwest Region

#### Gansu Party Urges Stronger Local Congresses

HK2703113889 Lanzhou Gansu Provincial Service  
in Chinese 0000 GMT 27 Mar 89

[Text] The provincial party committee Organization Department recently issued a circular to party organizations throughout the province on putting the party congress system in the grass-roots units on a sounder basis.

Since the 3d Plenary Session of the 11th CPC Central Committee, there has been a marked turn for the better in implementing the party congress system in party organizations at different levels in our province. However, the system has not been carried out well in some units, primarily in some enterprises and institutions. Some units have not held party congresses in more than 10 years, and others have held party congresses, but not on a democratic basis in terms of elections.

To change this situation, the provincial party committee Organization Department has called on party organizations at all levels to convene local party congresses in time, in accordance with the relevant provisions stipulated in the party Constitution. In cases where they are held before or after their due dates under extraordinary circumstances, the decision should be reported to the

next higher party committee for approval. In party congresses, democratic rights of party members must be respected and the will of delegates be fully reflected. Meanwhile, members of party committees should seriously deliver work reports to party congresses or party member conferences and accept, of their own accord, supervision and examination. Methods of elections must be improved. The practice of holding elections with more candidates than posts must be applied and the work of organizing elections arranged well. Members of leading bodies must be elected in accordance with the four modernization policy concerning the ranks of cadres and the principle of having both ability and political integrity, and it is particularly important to elect those who perform well, handle matters impartially, and keep clear from corruption so that new leading bodies will be able to work on a sound basis.

#### Xinjiang Leaders, Others Contribute to Education

OW2703134489 Beijing Domestic Service in Mandarin  
2230 GMT 13 Mar 89

[Special feature by station reporter (Hu Zhibing): "On an Incident of Making Donations To Support Education"]

[Text] On the morning of 1 March, snow was falling heavily and the weather in Urumqi was frigid. Yet inside the conference hall of the Kunlun Hotel, the atmosphere was extremely warm. Leaders of the Xinjiang Uygur Autonomous Region and some local people, gathered here, were earnestly making donations to the cause of education. On the rostrum, Tomur Dawamat, chairman of the Xinjiang Uygur Autonomous Regional Government, drew a 1,000 yuan bill from his pocket and spoke out loud: Recently an education foundation for the Xinjiang Autonomous Region was formed through the initiative of people from various circles of society. They called on people of all nationalities in the whole region to donate, in a display of their traditional virtues, money or goods—whichever they can spare—to help develop educational undertakings. This is a most meaningful cause. As chairman of the autonomous regional government and also a citizen of Xinjiang, I have a duty to help develop educational undertakings and so does everyone. I myself want to donate 1,000 yuan. [applause]

After liberation, both the state and autonomous region had appropriated huge sums of funds annually to develop education in this area of minorities. However, the debts accumulated over the years have been so great that the region's primary and middle schools are currently still plagued by 1.27 million square meters of precarious buildings, inadequate classrooms, and a lack of experiment facilities. The state has had difficulty in changing the status quo. Therefore, leaders of Xinjiang began to turn to Xinjiang itself for help and took the initiative to address the problem.

Wang Enmao, vice chairman of the National Chinese People's Political Consultative Conference Committee and a veteran leader of the autonomous region, stood up

from his seat and held up two fingers, declaring: I donate 2,000 yuan. Song Hanliang, party secretary of the autonomous region, who was chairing a meeting outside Xinjiang, made a special phone call to the assembly to donate 500 yuan. Veteran General (Zhang Qiqing) passed a note to the rostrum which read: I donate 1,000 yuan. Mao Dehua, vice chairman of the autonomous regional government, also gave 500 yuan to the girl in charge of registering donations at the donation desk. On behalf of the entire cadres, staff, and workers of the organizations directly under the autonomous regional government, (Xu Junyi), director of the political department of the autonomous region, handed in two checks totaling 20,672.15 yuan. A Uygur woman and self-employed worker named (Rebia Kaider), wearing a black sheepskin hat, practically ran to the rostrum. Deeply

moved by the donations of the leading comrades of (other) companies, she took out 2,000 yuan in cash and said: please register 5,000 yuan in my name. I will give the remaining 3,000 yuan after the meeting. [Words indistinct] applauded warmly. Tan Zhirong, general manager of the Tianshan Woolen Textile Company, Limited, a Sino-foreign joint venture, stood up and said: Without party policies, enterprises cannot enjoy high economic results. We donate 100,000 yuan. The Xinjiang Iron and Steel Company also announced its intention to donate 100,000. The secretary of the assembly announced that in less than 2 hours, more than 670,000 yuan in donations had been made on the spot. People on hand from educational circles were touched by the scene. One veteran comrade said: I see hope for the educational development of our minority-inhabited area.



**'Prominent' Taiwan Buddhist Visits Mainland**

**Departure Remarks Noted**

HK2803044789 Hong Kong SOUTH CHINA  
MORNING POST in English 28 Mar 89 p 3

[Text] Renowned Buddhist leader Master Shing Yun appealed yesterday for greater religious freedom in China, just before he returned to the mainland for the first time since he fled to Taiwan in 1949.

Master Shing Yun said he hoped there would be more "room and freedom" for Buddhism and religious belief in China in future.

The Buddhist leader, who is leading a 300-member delegation to Beijing for a month-long visit, was speaking at Kai Tak airport before his departure.

He hoped China would adhere strictly to its policy on religion.

Last week, a top Buddhist leader in China, Mr Zhao Puchu, told a meeting of the Chinese People's Political Consultative Conference (CPPCC) that the country's religious policy had not been fully implemented by the authorities.

He also complained that mainland authorities had interfered with the internal affairs of religious bodies.

Mr Zhao, who is a vice-chairman of the CPPCC, is host to the delegation which comprises mainly Taiwanese members.

The delegation is considered the largest and most significant group visiting China since the KMT [Kuomintang] Government relaxed a ban on travel to the mainland.

Master Shing Yun, who is also a member of the KMT's Central Advisory Council, said the visit was religious.

He said he would not touch upon immediate issues facing China such as the campaign by intellectuals to seek amnesty for political prisoners.

Aside from giving a series of lectures on Buddhism, Master Shing Yun will also tour his native Yangzhou and pay a visit to his 88-year-old mother.

He will also visit other cities such as Duanhuang which is known for its Buddhist-influenced cave art.

**Arrives in Beijing**

OW2803104389 Beijing XINHUA in English  
1540 GMT 27 Mar 89

[Text] Beijing, March 27 (XINHUA)—A Buddhist delegation led by priest Xingyun, president of the International Buddhism-Promoting Federation (IBPF) and founder of the Fuguangshan Temple in Taiwan and the Xilai Temple in the United States, arrived here today.

Greeting the delegation at the airport were Zhao Puchu, vice-chairman of the 7th National Committee of the Chinese People's Political Consultative Conference (CPPCC) and president of the Buddhist Association of China (BAC), and BAC Vice-Presidents Li Rongxi, priest Mingyang, Zhou Shaoliang and lay Buddhist Dao Shuren.

A formal ceremony was held by the Chinese Buddhist Association in the main shrine-hall of Beijing's Guangji Monastery to welcome the delegation. President Zhao Puchu presented to priest Xingyun 240 cases of the tripitaka sutra in a newly-printed edition dated to the reign of Emperor Qianlong in the Qing Dynasty. Priest Xingyun presented to President Zhao with the IBPF flag, the Fuguang tripitaka sutra and 100,000 U.S. dollars.

President Zhao said at the ceremony that priest Xingyun's visit here is a great event in history which will produce a significant impact on Buddhist exchanges between Taiwan and the Mainland of China.

Priest Xingyun said that he left the Mainland during the turmoil and chaos of war 40 years ago, but has returned to find a peaceful atmosphere. He said that he is here to spread Buddhist doctrine and to see his aged mother, whom he has not seen for years. He said he hopes that his visit will help promote understanding among Buddhist circles in both Taiwan and the Mainland and help maintain world peace.

**Visit 'Most Significant'**

HK2703030389 Hong Kong SOUTH CHINA  
MORNING POST in English 27 Mar 89 p 1

[By Chris Yeung]

[Text] A prominent Buddhist leader from Taiwan, Master Shing Yun, is heading a 300-member delegation to China to promote religious exchange during a month-long visit starting today.

Considered by the authorities on both sides of the Taiwan Strait as the most significant non-governmental exchange so far, the delegates are to be given red-carpet treatment by Buddhist and literary circles in China.

Although organized under the banner of the Los Angeles-based International Buddhist Progress Society, the delegation is made up mainly of Taiwanese. It is the largest group to visit China since the Kuomintang (KMT) Government relaxed its ban travel to the mainland last year.

Master Shing Yun, who is said to have had more than one million followers in Taiwan, is almost certain to be met by top Chinese leaders in Beijing.

The leader gave a talk on Buddhism before a packed community hall in Yau Ma Tei in Hong Kong last night.

The delegation which also includes prominent academics, writers and artists in Taiwan and the United States leaves for Beijing this morning.

Delegation member Lu Kang quoted Master Shing Yun yesterday as saying he would not "feel excited" even if he was met by top Chinese leaders.

Master Shing Yun (literally meaning Star and Cloud) reportedly said he would initiate talks with Beijing leaders on specific issues.

"It depends on what the Chinese leaders want to discuss," the Buddhist leader reportedly said.

Master Shing Yun earlier said he would not touch on politics during his stay on the mainland, from which he fled with the KMT Government four decades ago.

The Buddhist leader, who is also a member of the KMT's Central Advisory Council, has said he wants to promote Buddhism and meet relatives in Yangzhou.

At present, KMT Government officials are still not allowed to visit the mainland.

It is understood that Master Shing Yun's party role is not considered to be in conflict with the ban on civil servants.

Mr Lu, who is the publisher of the PAI SHING SEMI-MONTHLY, said: "After all, Master Shing Yun is more a Buddhist leader than any other posts he held."

"The visit is the most significant one since the ban on mainland visits was relaxed.

"It's incredible that we're allowed to promote Buddhism in the communist country. Communists are atheists," he said.

The month-long visit followed contact between Buddhist leaders of both sides at an international symposium in November.

Their host is president of the Buddhist Association of China, Mr Zhao Puchu, who is also a vice-chairman of the Chinese People's Political Consultative Conference, China's major advisory organ.

Apart from Beijing, the delegation will visit Chengdu, Chongqing, the Three Gorges, Wuhan, Shanghai, Nanjing, Zhejiang, Yangzhou and Hangzhou.

Master Shing Yun will give lectures on Zen Buddhism at Beijing University, Qinghua University and People's University in Beijing; Fudan University in Shanghai and Nanjing University.

Mr Lu said: "Students are only exposed to the thinking of Marx, Stalin [as published], Mao Zedong and the like in China. They might have never come across anything Buddhist."

### Meetings With Officials Planned

HK2803044989 Hong Kong HONGKONG STANDARD  
in English 28 Mar 89 pp 1, 6

[By Fan Cheuk-wan in Beijing]

[Text] Taiwan's most senior Buddhist monk, Master Shing Yun, is to meet Chinese leaders Mr Yang Shang-kun and Mr Li Xiannian during his four-day visit to the capital.

It is believed reunification and the policy of "one-country, two systems" will be topics during their meetings.

Master Shing Yun and his 70-member delegation yesterday arrived by plane from Hong Kong.

An organizer of the trip, Master Chuan Yin of the Buddhist Association of China yesterday said his association was arranging a meeting between Master Shing Yun with President Yang Shangkun and the Chairman of the Chinese People's Political Consultative Conference, Mr Li Xiannian.

Master Chuan Yin said: "The meeting was arranged by the Buddhist Association of China and the Bureau of Religious Affairs under the State Council. I hope the two leaders will spare time to meet Master Shing Yun."

Master Chuan Yin said the issue of reunification might be discussed during the meeting.

Master Shing Yun, as top Buddhist leader in Taiwan, has very close ties with senior Taiwan leaders and the Kuomintang (KMT).

Master Shing Yun is also a member of KMT's Central Advisory Committee and a veteran party member.

Master Chuan Yin said they intended to raise the policy of "one country, two systems" with Master Shing Yun.

Master Chuan Yin said his association would also arrange for Master Shing Yun to meet senior leaders at provincial and municipal levels during his one-month tour of the mainland.

Master Chuan Yin said Master Shing Yun's historic visit to China was meant to be a channel of interflow between Buddhists across the strait and it should not carry any political colour.

He said: "We are religious people. This trip is really a religious exchange between people on both sides of the strait. Chinese people all belong to one race and we are in fact one entity."

There were emotional scenes at Beijing Airport when Master Shing Yun saw his elder sister, Madam Li Suhua, who came all the way from Guangxi to meet him.

About 300 monks and Buddhists attended a welcoming ceremony at Guang Ji Temple yesterday afternoon.

Chairman of the Buddhist Association, Mr Zhao Puchu, will host a banquet for the Taiwan delegation tonight.

Master Shing Yun said shortly after his arrival his trip was aimed at spreading Buddhism on the mainland and to visit his family.



**U.S. Threatens Retaliation Over Rice Trade**  
*OW2503090789 Taipei CNA in English 1553 GMT  
23 Mar 89*

[Text] Taipei, March 23 (CNA)—The Republic of China [ROC] economy has again been threatened with trade retaliation by its biggest trading partner as the United States reportedly plans to invoke section 387 against the nation because of its refusal to import American rice.

Officials of the cabinet-level Council of Agriculture said the ROC government is actively seeking to dissuade the U.S. from taking such "unjustified" retaliatory action. They declined to disclose whether the efforts have been successful.

The ROC Government refused to renew an ROC-U.S. rice export agreement when it expired at the end of 1988. The agreement had been seriously criticized by local lawmakers and farmers as "an unfair accord" because imposed strict restrictions on the amount and the markets of the nation's rice exports.

The U.S. was reported to be unhappy with the ROC decision because it feared ROC rice exports might increase.

The situation worsened when the ROC Government explicitly rejected U.S. demand to open local markets to American rice, the Council of Agriculture officials said. That move is believed to be the major justification for the U.S. to again wield its fist.

The officials said the nation decided to reject the import of low-American rice because it would be impossible for locally produced rice, with its comparatively high production costs, to compete.

If the government opens local markets to American rice, the officials warn, the nation's 500,000 rice farmers will be deprived of jobs and rice paddies will be forced to lie fallow. "This will not only cause economic problems, but will eventually cause serious social and political problems," they noted.

The officials also asserted that there is no reasons for the U.S. worry about ROC rice exports. They stressed that the ROC has adopted rice policy under which local rice production will be mainly to satisfy domestic demand and not for export.

**Legislative Yuan Elections Set for 2 December**  
*OW2803053189 Taipei CNA in English 0353 GMT  
28 Mar 89*

[Text] Taipei, March 28 (CNA)—The Central Election Commission of the Republic of China Monday decided that the elections of the Legislative Yuan, the Taiwan Provincial Assembly, the Taipei and Kaohsiung City councils and mayors and county executives will be held on the same day on Dec. 2.

The commission said that it had consulted the Taiwan, Fukien Provincial Election Commissions and the Taipei and Kaohsiung City Election Commissions, all of which suggested that the elections be held on the same day.

**Premier Says Public Investment Up in 1990 Budget**  
*OW2603122589 Taipei CNA in English 1545 GMT  
24 Mar 89*

[Text] Taipei, March 24 (CNA)—Government spending on public facilities, environmental protection and social welfare will take a greater share of the 1990 budget, Premier Yu Kuo-hua said Friday.

In a special report to the Legislative Yuan, the premier listed several principles on which the government based its fiscal 1990 budget, which starts on July 1 this year.

Besides increasing public-sector expenditures, Yu said, the government will set aside no less than 15 percent of the total budget for spending on education, scientific research and development and cultural affairs.

He told the lawmakers that salaries for servicemen, public functionaries and teachers will continue rising during the next fiscal year which will end on June 30, 1990.

The government also plans to manage the budget deficit by issuing government bonds, he added.

Quoting the latest economic forecasts by the world's major research institutes, the premier said the economic growth rates of major industrialized countries will gradually decline in the coming two years, and thus put constraints on this country's external trade.

As a result, he noted, increasing domestic demand will be a major contributor to the Republic of China economy, which he predicted will grow 7.12 percent in fiscal 1990.

Elaborating on major policy goals as reflected in the yearly budget, the cabinet chief said that in defense, the government will emphasize modernization and self-reliance in the nation's weapons systems.

The government will also continue its "crack troops" policy by cutting army personnel and stepping up R & D on sophisticated air and naval defense systems, said the premier.

He noted that the defense budget has dropped from 47 percent of the total budget in fiscal 1988 to 30.4 percent in fiscal 1990.

However, he pointed out that the budgets for police forces will be substantively increased in the coming two years as many of the security duties assumed by military police have been turned over to police units following the lifting of the emergency decree in 1987.

He commented that current police forces are still too small, so the government will speed up the recruitment and training of policemen and policewomen to ensure social order.

In social welfare, he said major new expenditures include a health insurance program for farmers and another insurance program for the parents of public servants.

In economic development, Yu said a significant share of the budget will go to continuing construction on the 14 major development projects and a highway linking Nankang and Ilan, and the opening of two fishing ports in Anping and Hsingta.

He disclosed that the government had budgeted 95,926 million NT [New Taiwan] dollars (3,552 million U.S. dollars) for the second phase of construction on the second South-North expressway extending from fiscal 1990 to fiscal 1992.

**Justice Minister Leads Crackdown on Corruption**  
*OW2803053989 Taipei CNA in English 0255 GMT*  
28 Mar 89

[Text] Taipei, March 28 (CNA)—Justice Minister Hsiao Tien-tzang said Monday [27 March] that the government will continue its recent drive to fight corruption and called on all public functionaries to abide by the law.

In fact, the current anticorruption drive began a month ago, Hsiao revealed at a Government Information Office press conference Monday.

Since then, the Bureau of Investigation [BOI] has aggressively collected information on corruption throughout the nation and has begun to tie the pieces together, Hsiao said.

The BOI move has taken dozens of suspected public functionaries, most of them customs officials, into custody and more are expected to be arrested.

Hsiao also used the occasion to warn of increasing reports of social dislocation which has caused a sharp decline in foreign investment here.

If the situation deteriorates further, the peace and prosperity of Taiwan, a direct result of both government and civilian efforts over the past 4 decades, will vanish, Hsiao warned.

For this reason, Hsiao said the government is considering a stricter crackdown on law-breakers so as to restore social order.

Hsiao noted that President Li has said the government is confident it will be able to realize its goal.

**Attention to S. Korean Trade With PRC Urged**  
*OW2503055889 Taipei CNA in English 0327 GMT*  
25 Mar 89

[Text] Taipei, March 25 (CNA)—A ranking economics official on Friday [24 March] called for attention to reports that South Korea, this country's major economic rival, was negotiating the establishment of trade offices with communist China and the Soviet Union.

Asking not to be named, the official said South Korea apparently was bold enough to get rid of old taboos in an attempt to give momentum to its enterprises.

A CNA report from Seoul said Li Sun-ki, head of the Korea Trade Promotion Corp. (KOTRA), was currently visiting Peiping to discuss the opening of an office there. Other reports said Moscow and Peiping will also set up trade offices in Seoul.

South Korean trade with communist China reached 3.1 billion U.S. dollars last year, up 84.6 percent from a year ago, according to statistics.

Indirect trade across the Taiwan Straits amounted to 2.5 billion U.S. dollars in 1988, according to an estimate.

The chief of the economics ministry's research group, Liu Jung-chu, said South Korea has formed an international civilian economic council to deal exclusively with trade with communist countries.

Liu also pointed out that as many as 4,700 South Korean businessmen visited communist countries last year. "These are developments worth watching closely," he said.

**East Bloc Countries Eager To Trade With Taiwan**  
*OW2603121989 Taipei CNA in English 1516 GMT*  
25 Mar 89

[Text] Taipei, March 25 (CNA)—Most Eastern European countries are eager to develop trade and economic ties with the Republic of China [ROC], Augustine Liu, secretary-general of the China External Trade Development Council (CETRA), said Saturday upon his return from a visit to that part of the world.

Liu said that many East bloc countries have adopted free economic policies in recent years, allowing private industries and encouraging overseas investments. [sentence as received]

Liu, leading a group of local businessmen, visited Yugoslavia, Bulgaria and Hungary earlier this month. The ROC mission was warmly received by trade officials and businessmen of the three countries.

"There is still ample room for the ROC to develop trade with the region," Liu said. Yugoslavia, for instance, registered a foreign trade of more than 25 billion U.S. dollars last year, but, its trade with the ROC totaled only 26 million U.S. dollars.

Hungary is most active in expanding its foreign trade and considers the ROC a good trade partner. It has decided to sponsor a Hungarian product show in Taiwan in May and the ROC is also scheduled to hold a similar trade fair in that country later this year, Liu said.

Liu pointed out that East Europe has a great market potential, and that East Bloc countries can serve as bridgeheads for local businessmen to tap the neighboring Western European market.

Liu, however, cautioned that most East European countries are troubled by huge foreign debts and a lack of hard currency. As a result, they usually engage in barter trade.

**Official Cited on Trade With E. Europe**  
*OW2603122289 Taipei CNA in English 1612 GMT*  
24 Mar 89

[Text] Taipei, March 24 (CNA)—The Republic of China's [ROC] economic and trade relations with East Europe will soon enter a new era with bilateral trade activities increasing rapidly, a leading ROC trade promoter said Friday.

Secretary-General Augustine Liu of the China External Trade Development Council (CETRA), a quasi-official trade promotion organization, made the prediction upon returning from an East European fact-finding visit.

Liu, as the head of a trade delegation of several leading ROC traders and manufacturers, visited Hungary, Yugoslavia and Bulgaria to explore trade opportunities in the three East bloc countries.

Before the group concluded its visit, the ROC Government announced that the nation will set up trade offices in Hungary and Yugoslavia to promote bilateral trade. Asked to comment on the move, Liu said "it marks a major breakthrough in the nation's efforts to expand trade relations with that part of the world."

Liu signed a cooperation agreement with the Yugoslav Chamber of Commerce and Industry when he visited Belgrade. He said the agreement has opened the door for the ROC and Yugoslavia to strengthen economic and trade cooperation.

Hungary and Yugoslavia, the two most open and liberal countries in Eastern Europe, are ideal beachheads for ROC efforts to develop trade with Eastern Europe, he concluded.

**Businessmen Warn of Snags in Mainland Trade Ties**  
*OW2603050489 Taipei CNA in English 0350 GMT*  
28 Mar 89

[Text] Taipei, March 28 (CNA)—Investing in Mainland China is not always a good proposition, according to a group of businessmen who have set up plants on the other side of the Taiwan Straits.

They said that even though some of them are making money, their gains are hard to come by and often in marginal amounts.

Water-and-power supply shortages and inadequate transportation facilities are common complaints of Taiwan investors. But these are not the only ones. The lack of middle-echelon executives and supervisors has plagued them too.

According to a member of the Chung Hwa Economic Research Institute visiting the mainland recently, up to 60 percent of firms invested in by Taiwan businessmen on the mainland are losing money.

The Taiwan businessmen said the lack of supervisory personnel in the mainland is a serious problem. They said they have to assign personnel from their Taiwan facilities to the mainland.

Initially, they said, the supervisors from Taiwan were quite happy to take up the jobs there as the environment was new to them. But after a while, they would feel bored and homesick and want to return to Taiwan, they said.

As the Taiwan-dispatched supervisors to the mainland get much higher pay than their colleagues here, the management has had to bear the extra cost. The rotation of the personnel is also a problem to some Taiwan investors.



### Hong Kong

**PRC Treatment of Intellectuals Causing Concern**  
HK2503044789 Hong Kong HONGKONG STANDARD  
in English 25 Mar 89 p 10

[Editorial: "Dissident Issues a Matter of Concern"]

[Text] Foreign Secretary Sir Geoffrey Howe was absolutely right when he said that recent happenings in Tibet had no relevance to Hong Kong people's confidence in the future of this territory.

Although there are a minority here, mainly expatriates, who keep harping on this, the great majority of local people understand very well the vital differences between the territory, after 1997, and Tibet. That is why there is no widespread agitation here against the imposition of martial law.

But the treatment of dissident intellectuals like Professor Fang Lizhi and Wen Jinsheng, who is believed to have been driven mad by brutal treatment in prison, are an entirely different issue. And Hong Kong people are very concerned about this.

Call it double standards or whatever you like but both the locals and the mainlanders have never, and are not likely ever, to equate the two. Tibet's secessionist agitation is compounded by ethnic, cultural, religious and language factors which are not present, and never will be present, in relations between Hong Kong and the mainland.

The loss of freedom or other punishments for those Tibetans involved in the secessionist struggle, whatever the merits of their cause, are not seen by local people as human rights issues. The treatment of intellectuals in Beijing is seen as such.

Each time these intellectuals are constrained from speaking out or their movements circumscribed, more Hong Kong people make up their minds to migrate to "safer" shores.

They know there will never be a "Tibet" here. They have no quarrel about eventual ownership of this piece of real estate. What they fear is communist rule and its long history of interference with personal lives. For many the fear of such interference is very real. Worse, after a decade of apparent progress and growing enlightenment, China's rulers seem to have chosen to go back to the crude, brutal ways of the past.

Professor Fang Lizhi's nonattendance at a dinner hosted by U.S. President George Bush might not have been seen by Hong Kong people as one aspect of this. It could have been explained away as merely a no-holds-barred message to the Americans to keep their hands off China's internal politics. It could, in fact, have been a situation not of China's making.

But the recent treatment of intellectuals, delegates to the National People's Congress and newsmen covering this revived rubber stamp parliament is not read as aberrant behaviour. It is unanimously seen as being consistent with communist behaviour of that "dark age" of the Cultural Revolution.

These actions of Chinese officials stemmed from their fear that more people in China would support the cause of the jailed dissidents. But there is ample reason to support this cause, as the HONGKONG STANDARD showed on Friday with its full report of Mr Chen Jun's plea for clemency for six of those detainees, including Hong Kong's own Lau Shan-ching whose "crime" appeared only to be that he went across the border to offer sympathy to the families of other detainees.

If Chinese and Hong Kong people can be treated like this, if Hong Kong and Taiwan newsmen can be manhandled, what is there to prevent people here being made to "toe the line" after 1997? What is there to prevent something similar being imposed on Taiwan people after reunification?

Hong Kong people, intellectual or otherwise, are far more outspoken than those on the mainland. It is one of the reasons this territory is so vibrant, so successful. But it is because they are so outspoken that they also have so much more to fear.

And it is the reason why they are ever so watchful of every little action taken by the leaders in Beijing. After the events of recent weeks, they are even more watchful of how these leaders handle the dissident issue. The continued stability and prosperity of Hong Kong and the wellbeing of Hong Kong people are also at stake.

**Governor Urges Generous, Flexible UK Attitude**  
HK2503054389 Hong Kong SOUTH CHINA  
MORNING POST in English 25 Mar 89 pp 1, 2

[By political staff]

[Text] The Governor, Sir David Wilson, yesterday said he would like to see Britain adopt a more generous and flexible attitude to nationality laws relating to Hong Kong citizens.

His comments followed Britain's refusal to review its nationality policy on Hong Kong.

The Foreign Office minister with special responsibility for Hong Kong, Lord Glenarthur, during a House of Lords debate ruled out the possibility of granting British passports to Hong Kong people because he said it would breach the Joint Declaration on 1997.

Sir David said that while it was a matter for parliament to decide whether the Nationality Act should be changed, he would like to see the rules applied with greater flexibility and liberality.

He expressed understanding and sympathy for the view on the nationality issue put forward by people in Hong Kong.

"I would like to see greater generosity in the ways that these rules are applied to individual cases..."

"Whether there could be any substantial change in the Nationality Act is a different matter and that is not something that I can judge. It's a matter for parliament," Sir David said on his return yesterday after attending the Foreign Affairs Select Committee hearing.

While the Governor was in London, the Office of Members of the Executive and Legislative Councils (Omelco) wrote to Lord Wyatt of Weeford extending members's support for his stance that the 3.25 million British Dependent Territory Citizens in Hong Kong be given the right of abode in the UK.

Legislator Mrs Selina Chow Liang Shuk-ye, however, said she was disappointed with Lord Glenarthur's refusal to review the Nationality act when several other Lords supported the call for a more flexible approach.

Mrs Chow described as "unacceptable" Lord Glenarthur's explanation that extending British nationality to Hong Kong people would breach the Sino-British Joint Declaration.

"I don't see this has anything to do with the agreement. Britain should fulfill its obligation in the first place," Mrs Chow said.

"No one is asking Lord Glenarthur to do something unreasonable and we are not demanding a change in the law.

"What we are asking after all is a more flexible application of the measures. Even within the act, there are some administrative measures that could be applied more flexibly."

Her appeal was echoed by Senior Legislative councillor, Mr Allen Lee Peng-fei, who was not surprised at the outcome of the hearing.

Another legislator, Mr Martin Barrow, also expressed deep concern over Britain's rigid position.

"It's disappointing that the British Government is so inflexible on its nationality policy," he said.

Mr Barrow said the Omelco members would continue to pursue the subject and to press the British Government to make concessions.

But it was premature to say whether the councillors would resort to moving a motion to discuss the nationality issue in the Legislative Council, he said.

Executive and Legislator Councillor, Dr Daniel Tse Chi-wai, said the British stance was not entirely unexpected although he was "somewhat disappointed".

But he was still convinced that it was worthwhile reminding the British Government of its moral responsibility over the rights of Hong Kong people.

Mr Martin Lee Chu-ming said a flexible policy on the nationality issue could help boost the confidence of Hong Kong people in the future.

As regards the granting of residency rights to Hong Kong civil servants, Mr Lee said: "The British Government should give a concrete promise (by granting the right of abode) to the territory's employees in the public sector, particularly those whose works are politically sensitive.

"This will help boost the declining morale among civil servants and set their minds at ease in continuing their current commitments."

Despite the criticisms, Sir David urged local people to take the opportunity of the Foreign Affairs Select Committee's visit in April to make their views known by writing or by arranging meetings with the 11-member committee.

#### **New Group of Boat People Arrives From Vietnam** *HK2503074589 Hong Kong SOUTH CHINA MORNING POST in English 25 Mar 89 pp 1, 2*

[By Daphne Cheng]

[Text] The arrival yesterday of 262 Vietnamese in five boatloads directly from Vietnam has sparked fears of another influx as refugee officials warned that more are on their way.

The new wave is the highest single-day figure so far this year and brings the total to 1,092, almost 300 more than the number recorded at the same time last year.

The latest batch have arrived less than a month after the first group of 75 Vietnamese boat people from Hong Kong camps were voluntarily repatriated to Hanoi on March 3.

Recently, member nations of the Association of South-east Asian Nations (ASEAN) announced they would follow Hong Kong's example and screen out all Vietnamese who were not genuine refugees.

Government refugee coordinator Michael Hanson declined to comment on whether the new arrivals indicated another influx.

"The number of arrivals is disappointing, but it's too early to judge whether the measures have been effective," Mr Hanson said yesterday.

He said the effectiveness of the ASEAN countries' screening policy and the voluntary repatriation scheme could not be measured yet.

The trip from Vietnam usually takes about three weeks and the groups which arrived yesterday claimed they set sail in January and February.

Mr Hanson disclosed that a second group of volunteers will be sent back next month and so far about 150 Vietnamese said they were willing to go home.

Meanwhile the charge de mission of the United Nations High Commission for Refugees (UNHCR), Mr Fazlul Karim, would not speculate on what constituted the latest influx.

He defended the screening policy saying it had not failed to stop Vietnamese from fleeing the country.

"It (the influx) is a matter of concern for the public. The screening policy was to determine the Vietnamese's refugee status to find out who are eligible for resettlement. It is not to deter them from coming," Mr Karim said.

Meanwhile, legislative councillor Martin Barrow appealed to Chinese authorities to be flexible and allow a small group of Vietnamese refugees currently entitled to residency rights in Hong Kong to continue to enjoy that right after 1997.

"I hope the Chinese Government will not be too rigid on this matter. It involves only a small number of Vietnamese children in the territory. They speak Cantonese and can be good workers for the community," Mr Barrow said.

Of the 1,200 Vietnamese children born in Hong Kong, only 150 were born before the new Nationality Act came into force in 1983.

The old British nationality law conferred British Dependent Territory Citizen status on anyone born in Hong Kong, including children born to Vietnamese refugees.

However, Mr Lu Ping, the Deputy Director of Hong Kong and Macao Affairs, said on Thursday that China reserved the right to withhold the right of abode to the Vietnamese children after 1997 even though they were born here.

**Growth of Domestic Exports Said Slowing**  
*HK2403070089 Hong Kong SOUTH CHINA  
MORNING POST in English 24 Mar 89 pp 2, 4*

[By Amelia Cabatit]

[Text] The growth of domestic exports is slowing, with the average for the first two months of the year rising only 3.9 percent, compared with the same period last year.

The Chinese New Year season had a distortive effect as many factories and services dealing with exports were closed, and a year-on-year comparison for the month alone could be misleading.

Provisional trade figures released by the Census and Statistics Department yesterday showed that the value of domestic exports in the first two months rose by almost four percent to \$31.3 billion compared with the same period last year, while re-exports rose 41.9 percent to \$48.63 billion.

Total exports were \$79.94 billion, or 24.1 percent higher.

In the same period, the value of imports grew by \$19.98 billion, or 32.4 percent, to \$81.6 billion.

A visible trade deficit of \$1.66 billion, equivalent to two percent of the value of imports, was recorded in the period.

There was no fear of trade deficits carrying over into coming months despite the fact that Hong Kong recorded its first annual trade deficit last year since 1984, said Deputy Trade Director Stuart Harbinson.

The data released by the department did not give any breakdowns, but Mr Harbinson said that higher spending on imports could have been on capital investments in the form of machinery that could in fact boost future exports.

Moreover, raw materials imported to feed Hong Kong's busy manufacturing sector were costing more with global and region-wide inflation.

"Domestic exports' growth is clearly moderating if we go by the first two months' figures," Mr Harbinson said, "but overall exports still show very healthy growth."

Economists had early in the year spotted signs of a slowdown in domestic exports, as growth had been slower in January despite holiday season sales.

The strong performance of re-exports helped maintain total export growth at high levels, but while re-export results confirmed the territory's importance as an entrepot for China, continuing high levels were unlikely to be sustained.

Monthly growth rates had been hitting the high 40 or around 50 percent since November last year, with more re-exports than domestic exports.

Re-exports represented 60.8 percent by value of the total exports in the first two months of this year, compared with 53.2 percent in the first two months last year.



Looking at February alone, the year-on-year growth rates of re-exports and imports continued to be substantial, but a marginal growth was recorded for domestic exports.

The value of domestic exports last month was \$14.04 billion, \$401 million or only 2.9 percent higher than in February last year, while the value of re-exports increased by \$6.47 billion or 40.7 percent to \$22.38 billion.

The value of total exports (domestic exports plus re-exports), at \$36.42 billion last month, was \$6.87 billion or 23.3 percent higher than the same month last year.

The value of imports last month grew by 35.1 percent or \$10 billion over last year to \$38.47 billion.

A visible trade deficit of \$2.04 billion, equivalent to 5.3 percent of the value of imports, was recorded last month. This compares with a surplus of \$1.08 billion, or 3.8 percent of the value of imports, recorded over the same period last year.

#### **Inflation Hits Double Digits; Expected To Rise**

HK2403053389 Hong Kong SOUTH CHINA  
MORNING POST in English 24 Mar 89 pp 1, 5

[By Amelia Cabatit]

[Text] Hong Kong inflation has officially hit double figures for the first time in five years, and more of the same is expected in the months ahead.

Economists' reactions to a Consumer Price Index (CPI) rise of 10.5 percent for households which spend between \$6,500 and \$9,999 a month ranged from worry to alarm, but the Government said the results are in line with its projections.

Secretary for Monetary Affairs David Nendick said double digit inflation is consistent with Financial Secretary Piers Jacobs' budget speech projections of 8.4 percent for the entire year.

In his early March budget speech, Mr Jacobs also said he expected inflation to rise above the prevailing levels of 9.4 percent.

A downturn in inflation rates can be expected later in the year to balance out the relatively higher current inflationary rates, he added.

For the short term, more double digit figures could be on the way.

The government's Economic Services principal assistant, Mr Tang Kwong-yiu, yesterday projected that there would be several months of double digit inflation for the first half of 1989.

"The 10.5 figure is very bad and it makes a 12 to 13 percent inflation rate for the next two months more likely," he said.

But analysts cautioned that other factors must be taken into account in reading February's results. They pointed out that a single month's result is highly volatile and that a three-month average, which will only be available when March results are released next month, is needed to get a clearer picture of the economy's health and the direction of inflation.

Also, the figures were skewed by boosted spending during Chinese New Year.

January's CPI(A), which monitors monthly household expenditures of between \$2,000 and \$6,499, and CPI(B), which monitors monthly household spending of between \$6,500 and \$9,999 stood at 125.9 and 125.4 respectively—reflecting increases of 10.5 and 10 percent over February last year.

Factoring out seasonal changes, CPI(A) rose 2.3 percent while CPI(B) rose 1.9 percent over January.

Averaged out over the past 12 months ending February, both stood at 119.4 and rose 8 and 7.9 percent higher than the 12 months ending February last year.

For the three-month period ending February this year, seasonally-adjusted CPI(A) rose an average 1.1 per cent a month while CPI(B) rose one percent.

Hong Kong is basically a victim of its booming business and its link to the U.S. dollar, which is corrected by inflation, said James Capel economist [as published] Mr John Sloan.

The slowdown of domestic exports in January to a five percent increase over the previous year—a development which analysts said had little to do with the holiday season—would seem to indicate that the economy is beginning to feel the bite of inflation.

And a trend seems to be developing, with February's year-on-year growth rate for domestic exports even lower at only 2.9 percent, according to the provisional trade figures released yesterday by the Census and Statistics Department.

Mr Nendick said that since the exchange rate is not available as an avenue of controlling inflation, there is little the Government can do other than control interest rates.

"We must maintain stability of the dollar and keep the link," he said. (The exchange rate has been kept at around HK [Hong Kong]\$7.8 to one U.S. dollar since October, 1983.)

The current objective is to keep interest rates as high as possible given international interest rates, he said, adding it is unlikely there will be a rise in Hong Kong interest rates from the present levels unless international interest rates rise.

Expectation eased over the Federal Reserve raising its lending rates following the better-than-expected U.S. consumer price results for February announced on Tuesday, he said.

He said the territory can accommodate up to one percent higher and up to two percent lower than the U.S. rates.

### **Macao**

#### **Governor Denies Joint Liaison Group Conflict**

HK2503054769 Hong Kong SOUTH CHINA  
MORNING POST in English 25 Mar 89 p 4

[By Adam Lee in Macao]

[Text] Governor of Macao Carlos Melancia, on an official mission to Lisbon, has said that there are no differences or conflicts between the Portuguese and Chinese delegations of the Sino-Portuguese Joint Liaison Group (JLG).

His comments to reporters came amid reports that members of the two delegations were at odds over the venue of future JLG meetings.

According to the Sino-Portuguese Joint Declaration on Macao, the JLG should have permanent offices in Macao after the first year and all future meetings should be held in Macao.

At present, both sides have set up their offices in the Portuguese enclave and the third JLG meeting was held in Macao on January 31 and February 1. It was anticipated that the following meetings should also be held in the territory.

News that the fourth JLG meeting was to be held in Lisbon led to the belief that both sides were at loggerheads over certain issues.

Dr Melancia stressed that there were no conflicts and that there were "no special reasons for the decision" to hold next month's meeting in Lisbon.